NEW ISSUE - BOOK-ENTRY ONLY

Rating: Standard & Poor's: "AA+"
(See "RATING herein")

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of the Base Rental Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings and the Certificates are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$7,720,000
Town of Moraga
2013 Certificates of Participation
(Infrastructure Improvement Projects)
Bank Qualified

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

The captioned certificates of participation (the "Certificates") are being executed and delivered in book-entry form, and when delivered, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Certificates. Individual purchases of interests in the Certificates may be made in denominations of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Certificates purchased. Principal and interest with respect to the Certificates are payable directly to DTC by Wilmington Trust, N.A., as trustee (the "Trustee"). Principal is payable on the dates shown on the inside cover, and interest, at the rates shown on the inside cover, is payable on April 1, 2014 and each April 1 and October 1 thereafter. Upon receipt of payments of principal and interest, DTC is in turn obligated to remit such principal and interest to DTC Participants for subsequent disbursement to purchasers of the Certificates, as described herein. See "THE CERTIFICATES – General" and "APPENDIX F – Book-Entry Only System."

The Certificates evidence and represent proportionate undivided interests of the Owners thereof in the Base Rental Payments (which include principal and interest components) to be made by the Town of Moraga, California (the "Town") for the right to the use of certain real property and improvements (the "Leased Facilities") pursuant to a Facility Lease, dated as of August 1, 2013 (the "Facility Lease"), by and between the Town, as lessee, and the ABAG Finance Authority for Nonprofit Corporations (the "Authority"), as lessor. The Certificates are being executed and delivered to provide funds to (i) finance improvements to certain of the Town's infrastructure, as described herein, (ii) fund a debt service reserve fund for the Certificates, and (iii) pay certain costs incurred in connection with the execution and delivery of the Certificates. See "REFUNDING PLAN."

The Town has covenanted to make the Base Rental Payments for the Leased Facilities as provided for in the Facility Lease, to include all such Base Rental Payments in each of its budgets and to make the necessary annual appropriations for all such Base Rental Payments, subject to abatement as described in this Official Statement. **The obligation of the Town to make the Base Rental Payments does not constitute a debt of the Town or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the Town or the State of California is obligated to levy or pledge any form of taxation or for which the Town or the State of California has levied or pledged any form of taxation.**

The Certificates are subject to prepayment prior to maturity as described in this Official Statement. See "THE CERTIFICATES – Prepayment."

This cover page and the inside cover page, contain information for reference only. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. See "RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

The Certificates are offered, when, as and if executed and delivered and accepted by the Underwriter, subject to approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Jones Hall, A Professional Law Corporation, is also serving as Disclosure Counsel to the Town. In addition, certain legal matters will be passed upon for the Town and the Authority by Burke, Williams & Sorensen, LLP, Oakland, California, as Town Attorney, and for the Underwriter by Quint & Thimmig LLP, Larkspur, California. It is anticipated that the Certificates in definitive form will be available for delivery to DTC in New York, New York on or about August, 21, 2013.

STIFEL

The date of this Official Statement is: August 6, 2013

MATURITY SCHEDULE

(Base CUSIP[†]: 616417)

Maturity Date (April 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†] (616417)
2014	$295,000	2.000%	0.330%	101.018%	AW1
2015	270,000	2.000	0.680	102.111	AX9
2016	275,000	3.000	1.070	104.955	AY7
2017	285,000	3.000	1.410	105.577	AZ4
2018	295,000	4.000	1.760	109.877	BA8
2019	305,000	4.000	2.110	109.950	BB6
2020	315,000	4.000	2.580	108.577	BC4
2021	330,000	4.000	2.950	107.108	BD2
2022	345,000	4.000	3.260	105.514	BE0
2023	355,000	5.000	3.520	111.976	BF7
2024	375,000	5.000	3.790	109.666 [C]	BG5
2025	395,000	4.000	4.070	99.353	BH3
2026	410,000	5.000	4.150	106.676 [C]	BJ9
2027	430,000	5.000	4.370	104.896 [C]	BK6
2028	450,000	4.500	4.660	98.313	BL4
2029	470,000	4.625	4.780	98.303	BM2
2030	495,000	4.750	4.860	98.751	BN0

$1,625,000 5.000% Term Certificates due April 1, 2033, Yield: 5.050%
Price: 99.376% CUSIP:[±] 616417 BP5

[C]: Priced to first optional par call on April 1, 2023.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

***No Offering May Be Made Except by this Official Statement**.* No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Certificates other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

***No Unlawful Offers or Solicitations**.* This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Certificates.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

Underwriter's Statement. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Trust Agreement of Trust or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Certificates are Exempt from Securities Laws Registration. The issuance and sale of the Certificates have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

***Stabilization of Prices*.** In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "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 TOWN DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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

TOWN OF MORAGA

TOWN COUNCIL MEMBERS

Dave Trotter, *Mayor*
Ken Chew, *Vice Mayor*
Phil Arth, *Council Member*
Michael Metcalf, *Council Member*
Roger Wykle, *Council Member*

TOWN STAFF

Jill Keimach, *Town Manager*
Stephanie Hom, *Administrative Services Director*
Marty C. McInturf, *Town Clerk*
Michelle Marchetta Kenyon of Burke, Williams & Sorensen, LLP, *Town Attorney*

SPECIAL SERVICES

Special Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Trustee

Wilmington Trust, N.A.
Costa Mesa, California

TABLE OF CONTENTS

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OFFICIAL STATEMENT

$7,720,000
Town of Moraga
2013 Certificates of Participation,
Bank Qualified

INTRODUCTION

This Official Statement, including the cover page, the inside cover page, and attached Appendices (the "**Official Statement**"), provides certain information concerning the execution, sale and delivery by the Town of Moraga, California (the "**Town**"), of the captioned certificates of participation (the “**Certificates**”).

All capitalized terms used in this Official Statement and not otherwise defined have the meanings set forth in the Trust Agreement and the Facility Lease (as defined below). See "APPENDIX A – Summary of Certain Provisions of Principal Legal Documents."

Purpose. The Certificates are being executed and delivered to provide funds to (i) finance improvements to certain of the Town’s infrastructure, as described herein (the “**Project**”), (ii) fund a debt service reserve fund for the Certificates, and (iii) pay certain costs incurred in connection with the execution and delivery of the Certificates. See “FINANCING PLAN.”

Terms of Certificates. Interest will accrue on the principal components of each Certificate at the applicable interest rate set forth on the inside cover page of this Official Statement from the date of delivery of that Certificate until its date of maturity or prior prepayment. Interest with respect to the Certificates is payable on each April 1 and October 1, commencing April 1, 2014. The Certificates will be delivered as fully registered Certificates without coupons in the denomination of $5,000 or any integral multiple of $5,000, except that no Certificate may have principal maturing in more than one year. The Certificates are subject to prepayment before maturity as described in this Official Statement. See "THE CERTIFICATES.”

The Authority. The ABAG Finance Authority for Nonprofit Corporations (the “**Authority**”) is a joint exercise of powers authority duly organized and existing under the laws of the State of California (the “**State**”). The Authority was formed pursuant to the terms of that certain Joint Powers Agreement, dated as of April 1, 1990, as amended on September 18, 1990 and June 9,1992, and operating pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code. The Authority was created by the Association of Bay Area Governments (“**ABAG**”) to assist nonprofit corporations and other entities in obtaining financing for projects that serve the public interest that are located within the several jurisdictions of Authority members. ABAG, itself, was established to protect local control, plan for the future and promote cooperation on area-wide issues. Neither the Certificates nor the obligations of the Authority constitute a debt or obligation of any kind of ABAG or of any of its members other than the Town.

The Town. The Town is located in Contra Costa County (the "**County**"), approximately 22 miles east of San Francisco. The Town encompasses an area of approximately 9.5 square miles and has a population of approximately 16,000. The Town is predominantly residential in nature with clusters of community-serving retail and commercial spaces. The Town is home to Saint Mary's College, a prestigious private Catholic university of about 2,000 graduate and undergraduate students. The local, public Campolindo High School has been recognized with a national ranking of 125 and a state ranking of 20 as one of 500 schools nationwide awarded a gold medal by U.S. News and World Report in its 2013 list of the nation's best public high schools. Residents further enjoy award winning schools at the lower levels as well as convenient access to diverse employment options throughout the San Francisco Bay Area.

Security for the Certificates. The Certificates are payable from Revenues, which consist primarily of base rental payments ("**Base Rental Payments**") to be made by the Town under the Facility Lease, and amounts in the funds and accounts established by the Trust Agreement (except amounts deposited in the Rebate Fund), including all investment earnings on any moneys held in such funds or accounts. See "SECURITY FOR THE CERTIFICATES" for additional information. Pursuant to the Trust Agreement, the Authority has assigned certain of its rights, title and interest in and to the Facility Lease and the Site Lease, by and between the Town and the Authority, including its right to receive and collect the Base Rental Payments and to enforce payment of amounts due under the Facility Lease upon default of the Town, to Wilmington Trust, N.A., as trustee (the "**Trustee**") for the benefit of owners of the Certificates.

Under the Facility Lease, the Town is required to pay to the Trustee specified Base Rental Payments for the use and occupancy of the Leased Facilities. In addition, the Town is required to make Additional Payments. The Base Rental Payments are pledged towards the payment of principal and interest with respect to the Certificates and are calculated to be sufficient to permit the Trustee to pay all debt service with respect to the Certificates when due. See "SECURITY FOR THE CERTIFICATES."

Abatement. Base Rental Payments are subject to abatement during any period in which, by reason of damage or destruction or other event (other than by condemnation) there is substantial interference with the use and occupancy of the Leased Facilities or a portion thereof by the Town. To the extent that the total rental value of the remaining portion of the Leased Facilities is greater than or equal to the rental payments payable under the Facility Lease, the Base Rental Payments will not be abated. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement" and "RISK FACTORS – Abatement."

Under the Facility Lease, the Town is required to maintain rental interruption insurance covering at least two years of Base Rental Payments and insurance against damage and destruction of the Leased Facilities. Any net insurance proceeds and condemnation awards will be applied to repair or replace the Leased Facilities or to prepay all or a portion of the Certificates.

The Town has covenanted in the Facility Lease to take such action as may be necessary to include and maintain all Base Rental Payments due under the Facility Lease in its annual budget, and to make the necessary annual appropriations for all such payments, so long as the Leased Facilities are available for the Town's use.

Base Rental Payments Are Not Debt. *The obligation of the Town to make the Base Rental Payments does not constitute a debt of the Town or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the Town or the State is obligated to levy or* *pledge any form of taxation or for which the Town or the State has levied or pledged any form of taxation.*

FINANCING PLAN

Measure K. At an election held on November 6, 2012, the qualified voters of the Town approved the adoption of a 1% transactions and use tax known as Measure K with 70.5% (5,993 yes votes; 2,503 no votes) in support of the measure. This vote of support was spread fairly consistently throughout all voting districts with 85.52% voter turnout throughout the Town. On December 12, 2012, the Town Council confirmed the passage of Measure K.

The ballot wording of Measure K was as follows:

> "To keep local streets from falling into disrepair and maintain Town services, including: fixing potholes and cracks; maintaining neighborhood police patrols and response times; repairing neighborhood streets; maintaining recreation programs for youth and seniors; other general Town services, shall the Town of Moraga enact a one-cent sales tax for 20 years with authority to incur debt to accelerate infrastructure projects, with annual audits, citizens' oversight, no funds for Sacramento and all funds spent only for Moraga?"

The Measure K sales tax measure is considered a general tax under State law and therefore, the Town has the authority to use the revenue for a variety of purposes, including but not limited to addressing the Town's most financially critical need to repair its failing streets and storm drains. The Town Council has committed to spend the proceeds from the Certificates for infrastructure improvements.

Pursuant to Section 7265 of the California Revenue and Taxation Code, the one-cent transaction and use tax became operative on April 1, 2013. At that time, retailers began collecting the Town's additional local sales tax at the time of sale and remitting the funds to the State Board of Equalization, which administers the tax. The Town has started receiving the additional tax revenue in June 2013. The estimate for the annual incremental sales tax revenue derived from Measure K ranges from $990,000 to $1,080,000.

Although Base Rental Payments due under the Facilities Lease are payable from the Town's general fund, the Town intends to allocate revenues generated from Measure K to pay Base Rental Payments.

Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds for the Certificates:

Sources of Funds:	Amount
Par Amount of Certificates	$7,720,000.00
Plus Net Original Issue Premium	259,946.50
Total Sources	$7,979,946.50
Uses of Funds:	
Project Fund	$7,483,972.40
Debt Service Reserve Fund[1]	299,925.00
Delivery Costs Fund [2]	196,049.10
Total Uses	$7,979,946.50

(1) Equal to the Reserve Requirement for the Certificates.
(2) Includes legal, rating agency and printing costs, special counsel and disclosure counsel fees, underwriter's discount and other miscellaneous costs of issuance.

The Leased Facilities

The Leased Facilities consist of a portion of the Moraga Commons Park located at 1425 St. Mary's Road. The park comprises a total of approximately 41 acres within two County Assessor's parcels, however the Leased Facilities encompass only the primary 19.372 acre parcel (APN 256-110-057) that forms the core of the park and includes most of the park's structural improvements. The Town has estimated the value of the Leased Facilities to be approximately $16.4 million.

Moraga Commons Park is the Town's centerpiece park and is located in the heart of the Town. The park includes a band shell with concession stand, bathrooms, picnic areas, a toddler tot lot, playground water amenities, bocce ball courts, a skateboard park, sand volleyball courts, a basketball half court and open space. The park is home to annual free outdoor concerts on Thursday nights throughout the summer, the Town's annual July 4th celebration and other community events. Recreation opportunities are enhanced by its location accessible to the Lafayette-Moraga regional trail, a 7.65 mile linear park which connects the Las Trampas Ridge to the Oakland Hills, and the cities of Lafayette and Moraga, with hiking, biking and equestrian use.

Substitution and Release of Leased Facilities. Under the Facility Lease, the Town may elect to substitute other real property or improvements or release a portion of the real property or improvements constituting the Leased Facilities, provided that the Town meets certain conditions, including providing a certificate from an independent real estate appraiser selected by the Town setting forth his or her findings that the Leased Facilities, as constituted following such substitution or release has a fair rental value which is equal to or greater than the principal amount of the Base Rental Payments required to be paid during the then-remaining term of the Facility Lease and that the Leased Facilities after the substitution or release have a useful life at least equal to the remaining term of the Facility Lease.

Lease Payment Schedule

Set forth below is the Base Rental Payment schedule under the Facility Lease, which corresponds to the scheduled principal and interest payments with respect to the Certificates, assuming no optional prepayment.

Town of Moraga
Base Rental Payment Schedule

Base Rental Payment Date (15 days prior to:)	Principal Component	Interest Component	Total Payment	Total Annual Payment
4/1/14	$ 295,000	$ 203,347.22	$ 498,347.22	$ 498,347.22
10/1/14		163,425.00	163,425.00	
4/1/15	270,000	163,425.00	433,425.00	596,850.00
10/1/15		160,725.00	160,725.00	
4/1/16	275,000	160,725.00	435,725.00	596,450.00
10/1/16		156,600.00	156,600.00	
4/1/17	285,000	156,600.00	441,600.00	598,200.00
10/1/17		152,325.00	152,325.00	
4/1/18	295,000	152,325.00	447,325.00	599,650.00
10/1/18		146,425.00	146,425.00	
4/1/19	305,000	146,425.00	451,425.00	597,850.00
10/1/19		140,325.00	140,325.00	
4/1/20	315,000	140,325.00	455,325.00	595,650.00
10/1/20		134,025.00	134,025.00	
4/1/21	330,000	134,025.00	464,025.00	598,050.00
10/1/21		127,425.00	127,425.00	
4/1/22	345,000	127,425.00	472,425.00	599,850.00
10/1/22		120,525.00	120,525.00	
4/1/23	355,000	120,525.00	475,525.00	596,050.00
10/1/23		111,650.00	111,650.00	
4/1/24	375,000	111,650.00	486,650.00	598,300.00
10/1/24		102,275.00	102,275.00	
4/1/25	395,000	102,275.00	497,275.00	599,550.00
10/1/25		94,375.00	94,375.00	
4/1/26	410,000	94,375.00	504,375.00	598,750.00
10/1/26		84,125.00	84,125.00	
4/1/27	430,000	84,125.00	514,125.00	598,250.00
10/1/27		73,375.00	73,375.00	
4/1/28	450,000	73,375.00	523,375.00	596,750.00
10/1/28		63,250.00	63,250.00	
4/1/29	470,000	63,250.00	533,250.00	596,500.00
10/1/29		52,381.25	52,381.25	
4/1/30	495,000	52,381.25	547,381.25	599,762.50
10/1/30		40,625.00	40,625.00	
4/1/31	515,000	40,625.00	555,625.00	596,250.00
10/1/31		27,750.00	27,750.00	
4/1/32	540,000	27,750.00	567,750.00	595,500.00
10/1/32		14,250.00	14,250.00	
4/1/33	570,000	14,250.00	584,250.00	598,500.00
TOTAL	$7,720,000	$4,135,059.72	$11,855,059.72	$11,855,059.72

THE CERTIFICATES

General

The Certificates are authorized by, and are being executed and delivered pursuant to the Trust Agreement, applicable laws, and the Constitution of the State.

The Certificates will be executed and delivered as fully registered Certificates without coupons for each maturity and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in denominations of $5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Certificates purchased. Principal and interest are payable by the Trustee to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein. See Appendix F — "BOOK-ENTRY ONLY SYSTEM."

The Certificates will be executed and delivered in the principal amounts, will be dated the date of delivery thereof to the Underwriter, and will represent the accrual of interest at the rates and mature on the dates and in the amounts, set forth on the inside cover page of this Official Statement. Interest is first payable on April 1, 2014 and semiannually thereafter on April 1 and October 1 of each year (each an "**Interest Payment Date**"), calculated on the basis of a 360-day year comprised of twelve 30-day months. The Certificates will represent the accrual of interest from the Interest Payment Date next preceding the date of execution thereof, unless such date of execution is during the period from the 16th day of the month next preceding an Interest Payment Date to and including such Interest Payment Date, in which event they will represent the accrual of interest from such Interest Payment Date, or unless such date of execution is on or before the 15th day of the month next preceding the first Interest Payment Date, in which event they will represent the accrual of interest from their dated date; provided, however, that if at the time of execution a Certificate is in default, such Certificate will represent the accrual of interest from the Interest Payment Date to which interest had previously been paid.

Payment of interest with respect to the Certificates due on or before the maturity or prior prepayment of such Certificates will be made to the person whose name appears on the Certificate registration books of the Trustee as the registered owner thereof, as of the close of business of the 15th day of the month next preceding the Interest Payment Date (the "Record Date"), whether or not such day is a Business Day, such interest to be paid by check mailed on each Interest Payment Date by first-class mail to such registered owner at his address as it appears on such books, or, upon written request received by the Trustee prior to the 15th day of the month preceding an Interest Payment Date, of an Owner of at least $1,000,000 in aggregate principal amount of the Certificates, by wire transfer in immediately available funds to an account within the United States designated by such Owner.

Principal with respect to the Certificates will be payable upon the surrender thereof at maturity or the earlier prepayment thereof at the Corporate Trust Office of the Trustee, as further provided in the Trust Agreement. Principal and interest with respect to the Certificates will be paid in lawful money of the United States of America.

Prepayment

Extraordinary Prepayment. The Certificates are subject to extraordinary prepayment on any date prior to their respective stated maturities, in whole or in part (by lot within each stated maturity) in integral multiples of $5,000, at a prepayment price equal to the principal amount thereof, without premium, plus accrued but unpaid interest to the prepayment date from net insurance proceeds or condemnation awards not used to repair or replace the Leased Facilities or portions thereof which have been materially damaged, destroyed or taken in eminent domain proceedings.

Optional Prepayment. Certificates maturing on or before April 1, 2023 are not subject to optional prepayment prior to their respective maturity dates. Certificates maturing on and after April 1, 2024 are subject to optional prepayment prior to their respective maturity dates, at the option of the Town, as a whole, or in part on any date, pro rata among maturities and by lot within any such maturity if less than all of the Certificates of such maturity be prepaid, from any source of available funds, on or after April 1, 2023 at a prepayment price equal to the principal amount to be prepaid, without premium, together with accrued interest with respect thereto to the date of prepayment.

Mandatory Sinking Fund Prepayment. The Certificates maturing on April 1, 2033 are subject to mandatory sinking fund prepayment prior to their respective stated maturities, in the amounts and years set forth below, at the prepayment price equal to the principal amount thereof to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Certificates Maturing April 1, 2033

Sinking Fund Prepayment Date (April 1)	Sinking Payments
2031	$515,000
2032	540,000
2033 (maturity)	570,000

Notice of Prepayment. So long as the Certificates are held in book-entry form, notices of prepayment will be mailed only to DTC as the registered owner of the Certificates and not to purchasers of beneficial ownership interests in the Certificates. See Appendix F — "BOOK-ENTRY ONLY SYSTEM".

Notice of prepayment shall be mailed by first-class mail by the Trustee, on behalf of and at the expense of the Town, not less than 30 nor more than 60 days prior to the Prepayment date to (i) the respective Owners of Certificates designated for prepayment at their addresses appearing on the certificate registration books of the Trustee, (ii) the Securities Depositories (as defined in the Trust Agreement) and (iii) one or more Information Services (as defined in the Trust Agreement) selected by the Town. Notice of prepayment to the Securities Depositories and the Information Services will be given by registered mail or overnight delivery or facsimile transmission. Each notice of prepayment shall state the date of such notice, the prepayment price, if any, the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be prepaid, the distinctive certificate numbers of the Certificates of such maturity to be prepaid and, in the case of Certificates to be prepaid in part only, the respective portions of the principal amount with respect thereto to be prepaid. Each such notice shall also state that on such date there will become due and payable with respect to each of the Certificates the prepayment price, thereof, together with interest accrued with respect thereto the prepayment date, and that from and after such prepayment date interest with respect thereto shall cease to accrue, and shall require that such Certificates be then surrendered at the address of the Trustee specified in the prepayment notice. Failure to receive such notice shall not invalidate any of the proceedings taken in connection with such prepayment. See Appendix F — "BOOK-ENTRY ONLY SYSTEM."

The Town may, at its option, prior to the date of mailing any notice of prepayment, rescind and cancel such notice of prepayment.

Effect of Prepayment. If notice of prepayment has been given in accordance with the Trust Agreement and money for the prepayment is on deposit with the Trustee, then from and after the prepayment date interest with respect to the Certificates will cease to accrue, and the Owners of such Certificates will have no rights in respect of such Certificates except to receive payment of the prepayment price from the Trustee.

SECURITY FOR THE CERTIFICATES

General

The Certificates are payable from and are secured by a pledge of Revenues which consist of all Base Rental Payments and other payments paid by or for the benefit of the Town and received by the Trustee pursuant to the Facility Lease and the Trust Agreement, except Additional Payments, together with all interest income earned on amounts held under the Trust Agreement (other than amounts in the Rebate Fund). Certain of the rights, title and interest of the Authority under the Facility Lease and under the Site Lease will be assigned to the Trustee pursuant to the Trust Agreement, for the benefit of the Owners, including, without limitation, the Authority's right to receive Base Rental Payments under the Facility Lease. The Trustee, pursuant to the Trust Agreement, will receive Base Rental Payments for the benefit of the Owners.

The Town is required under the Facility Lease to budget for and appropriate semi-annual Base Rental Payments from legally available funds. The Base Rental Payments are designed to be sufficient to pay principal and interest with respect to the Certificates as and when due.

The Base Rental Payments payable on April 1 and October 1 in any calendar year are for the period commencing on April 2 of the preceding calendar year and terminating on April 1 of such calendar year, except for the first Base Rental Payment which is for the period from the date of execution and delivery of the Certificates to April 1, 2014. Base Rental Payments will be abated in the event of any damage or destruction or other event (other than by condemnation) which causes substantial interference with the use and occupancy of the Leased Facilities by the Town, if and to the extent that the fair rental value of the remaining portion of the Leased Facilities is less than the remaining Base Rental Payments. The Town is certifying as to the fair rental value of the Leased Facilities as of the date of execution and delivery of the Certificates. See "RISK FACTORS — Abatement" herein.

Additional Payments due from the Town under the Facility Lease, which are not pledged to repay the Certificates, include amounts sufficient to pay all fees, costs and expenses and all administrative costs of the Town related to the Leased Facilities, including, without limitation, salaries and wages of employees, all expenses, compensation and indemnification of the

Trustee payable by the Town under the Trust Agreement or to be paid by the Town in order to maintain its existence or to comply with the terms of the Certificates or of the Trust Agreement. The Town is also responsible for the repair and maintenance of the Leased Facilities required as a result of ordinary wear and tear and want of care on the part of the Town during the term of the Facility Lease.

The Town has covenanted in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its annual budget, and to annually appropriate semi-annual Base Rental Payments from lawfully available funds, as long as the Leased Facilities with a fair rental value sufficient to support Base Rental Payments under the Facility Lease are available for the Town's use.

In the event the Town defaults under the Facility Lease, the Facility Lease and the Trust Agreement provide that the Trustee may, with or without terminating the Facility Lease, re-let the Leased Facilities for the account of the Town. In the event the Trustee re-lets the Leased Facilities without terminating the Facility Lease, the Trustee may hold the Town liable for semi-annual payments of any cumulative net deficiency in Base Rental Payments or Additional Payments under the Facility Lease. In lieu of the foregoing, so long as the Trustee does not terminate the Facility Lease or the Town's right to possession of the Leased Facilities, the Trustee may sue to recover Base Rental Payments as they become due. The Trustee may not accelerate the Town's obligation to make Base Rental Payments. See "RISK FACTORS - Limited Recourse on Default."

The obligation of the Town to make Base Rental Payments under the Facility Lease does not constitute an obligation to levy or a pledge of any form of taxation. Neither the Certificates nor the obligation of the Town to make Base Rental Payments or additional rental payments, as provided by the Facility Lease, constitutes an indebtedness of the Town, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The Town shall be obligated to make Base Rental Payments subject to the terms of the Facility Lease, and neither the Town nor any of its officers shall incur any liability or any other obligation with respect to the execution and delivery of the Certificates.

Reserve Account

The Trustee will deposit in the Reserve Account, from Certificate proceeds, an amount of money which will be equal to the Reserve Account Requirement. The Reserve Account Requirement is, as of any calculation date, an amount equal to the least of 50% of the Maximum Annual Debt Service for the Certificates. No deposit need be made in the Reserve Account so long as there is on deposit therein a sum equal to at least the Reserve Account Requirement.

All moneys in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account, in that order, in the event of any deficiency at any time in either of such funds for the purpose of paying principal and interest with respect to the Certificates or for the retirement of all the then outstanding Certificates. Any amounts in the Reserve Account in excess of the Reserve Account Requirement will be deposited in the Revenue Fund.

Insurance

The Facility Lease provides that the Town will maintain rental interruption insurance throughout the term of the Facility Lease so that, in the event Base Rental Payments are abated under the Facility Lease, moneys will be available in an amount sufficient to pay Base Rental Payments under the Facility Lease for the period of at least two years.

The Facility Lease requires the Town to maintain insurance on the Leased Facilities against loss or damage to the Leased Facilities resulting from fire and lightning, vandalism and malicious mischief, sprinkler system leakage and such other perils ordinarily covered by such insurance. In addition, the Facility Lease requires that earthquake insurance be obtained to the extent that the premium for such insurance is available at a commercially reasonable cost. The Town does not expect to purchase earthquake insurance as it is not available at commercially reasonable costs at this time. The Facility Lease further requires that the Town maintain standard comprehensive general liability insurance in the amounts provided in the Facility Lease against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of operation of the Leased Facilities. With respect to the casualty, general liability insurance and workers' compensation insurance, the Town has elected to provide a self-insurance method or plan to provide the insurance coverage described above. See "THE TOWN — Insurance."

The Facility Lease provides that, at the time of execution and delivery of the Certificates, the Town will obtain a CLTA title insurance policy on the Leased Facilities, including both leaseholder's and owner's coverage, in an amount equal to the aggregate principal amount of the Certificates. See Appendix A — "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS — The Facility Lease."

THE AUTHORITY

The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State. The Authority was formed pursuant to the terms of that certain Joint Powers Agreement, dated as of April 1, 1990, as amended as of September 18, 1990 and June 9, 1992 and operating pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code (the "**JPA Law**") that was created by ABAG to assist nonprofit corporations and other entities in obtaining financing for projects that serve the public interest that are located within the several jurisdictions of Authority members.

ABAG is a joint exercise of powers authority duly organized and operating pursuant to the JPA Law and pursuant to an agreement which became effective January 24, 1961, by and among various cities and counties in the San Francisco Bay Area. ABAG is operated by said cities and counties and established to protect local control, plan for the future and promote cooperation on regional issues. ABAG had been designated by the State and federal government as the official comprehensive planning agency for the San Francisco Bay Area. Neither the Certificates nor the obligations of the Authority constitute a debt or obligation of any kind of ABAG or of any of its members other than the Town.

THE TOWN

The Town is located in the County, approximately 22 miles east of San Francisco. The Town encompasses an area of approximately 9.5 square miles and has a population of approximately 16,000. The Town is predominantly residential in nature with clusters of community-serving retail and commercial spaces. The Town is home to Saint Mary’s College, a prestigious private Catholic university of about 2,000 graduate and undergraduate students. The local, public Campolindo High School has been recognized with a national ranking of 125 and a state ranking of 20 as one of 500 schools nationwide awarded a gold medal by U.S. News and World Report in its 2013 list of the nation's best public high schools. Residents further enjoy award winning schools at the lower levels as well as convenient access to diverse employment options throughout the San Francisco Bay Area.

The Town provides the following public services to its residents: police, planning, engineering/public works, parks maintenance, parks and recreation, and administrative services. Fire safety services are provided by the Moraga-Orinda Fire District. Library and animal control services are provided by Contra Costa County. Water, sewer and utility services are provided by East Bay Municipal Utility District (EBMUD), Central Costa Costa Sanitary District, Pacific Gas & Electric and Comcast Cable, respectively. Garbage and recycling collection are provided through the Central Contra Costa Solid Waste Authority.

Municipal Government

The Town was granted township in 1974. The Town Council is made up of five members of the community elected at-large. Each Council position has a term of four years. Council elections are held biannually in November of even numbered years, with the number of open seats being filled alternating between two and three. The Mayor's position is filled by one of the members of the Council and is annually nominated and voted to that position by the Council.

The Council establishes overall goals and objectives for the Town through the adoption of policies aimed at enhancing the community to the benefit of the general public. The Council is guided by the policies established in the General Plan and sets priorities for the development and implementation of programs and services; determines the overall needs of the community, sets and monitors financial and the Town administrative activities and develops and prioritizes goals. The Council also confers with officials from other public agencies and associations to further the goals of the Town.

Town Manager. Jill Keimach has been the Town Manager since November 1, 2010. Among other accomplishments, Ms. Keimach guided transparent and clear educational efforts for the successful community-wide support and implementation of Measure K. A number of capital projects have also been completed under Ms. Keimach's leadership, including the remodel of the Town Hall significantly below budget, the creation of a new Council Chambers and community meeting room and, working with staff and community volunteers, the preservation of an historic community event center, and the completion of a Band Pavilion, skatepark parking lot, crosswalks and bridges, and other community amenities. Administratively, Ms. Keimach has successfully negotiated twice with five employee groups to contain personnel expenditures, to eliminate the Town's contribution to employee pension costs and to share future medical cost increases with employees.

Previously, Ms. Keimach was the Community Development Director for the City of Fremont, managing the Building, Planning, Engineering, Civic Facilities, and Community Preservation divisions and creating new streamlined development processes to make Fremont more "business-friendly" and improve how citizens worked with City staff. Ms. Keimach has spent her career working for a variety of government agencies. Her work included eight years with the Association of Bay Area Governments (ABAG) where she developed regional housing policies and researched the fiscalization of land use with communities in the North Bay. Ms. Keimach was also the first manager of the San Francisco Bay Trail project. Additionally, she worked for the Bay Area Rapid Transit District (BART), the cities of Walnut Creek, El Cerrito, Wilmette in Illinois and a number of smaller cities in New Hampshire.

Ms. Keimach received her Bachelors degree in Architecture and her Masters degree in City and Regional Planning with a minor in Transportation Planning both from the University of California at Berkeley.

Administrative Services Director. Stephanie Hom has been the Administrative Services Director for the Town since October 17, 2011 and has over 19 years of experience in municipal government. Previously, Ms. Hom has held positions of Agency Administrative Manager, Principal Financial Analyst, Fiscal Services Manager, and Senior Budget and Operations Analyst for the City of Oakland. In these positions, Ms. Hom has managed a $128 million annual operating budget with 17 revenue sources, including general fund, enterprise and special funds, developed a five-year $160 million Capital Improvement Program budget, successfully completed 11 financial audits, and participated in implementing a $200 million general obligation bond financing for the City of Oakland's Measure DD ‐ Oakland Trust for Clean Water and Safe Parks.

As the Town's Administrative Services Director, Ms. Hom's responsibilities include the Town's finances, human resources and payroll, risk management and information technology services. Ms. Hom received her Master of Public Policy and Administration from the Columbia University, School of International and Public Affairs and a Bachelor of Arts in Psychology from the University of California at San Diego.

TOWN FINANCES

The following selected financial information provides a brief overview of the Town's finances. This financial information has been extracted from the Town's audited financial statements and, in some cases, from unaudited information provided by the Town's Administrative Services Department. The most recent audited financial statements of the Town with an unqualified auditor's opinion is included as Appendix C hereto. See "APPENDIX C – Basic Financial Statements for the Year Ending June 30, 2012."

The Town spends about 65% of its budget on personnel expenditures (salaries, pension benefits, health care costs, and "other" personnel related incentives). As is typical in a service organization, expenditures associated with personnel constitute the largest, single expenditure in the operating budget. Staffing levels are very lean relative to the needs of the Town and consistent with the Town's "minimum government" philosophy. Historical staffing levels were reduced during the economic downturn in order to limit expenses during those years and have only recently begun to return to 2008-09 levels.

Accounting Policies and Financial Reporting

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The basis of accounting for all funds is more fully explained in the "Notes to Financial Statements" contained in Appendix C.

The Town Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the Town Council, at least annually, and at such other times as he or she shall determine, examines the combined financial statements of the Town in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the Town Council and a copy of the financial statements as of the close of the fiscal year is published. The Town's Independent Auditor's Report for fiscal year 2011-12 was prepared by Maze & Associates, Pleasant Hill, California.

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting and fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iii) required supplementary information.

See "APPENDIX C – Basic Financial Statements for the Year Ending June 30, 2012 – Note (1)" for a description of the significant accounting policies of the Town.

General Fund Financial Summary

The following tables of revenues, expenditures and changes in fund balances, and assets, liabilities and fund equity has been derived from the Town's audited financial statements for fiscal years 2009-10 through 2011-12, the Town's adopted budget for fiscal year 2012-13 which not yet been audited at the writing of this statement; and the Town's adopted budget for fiscal year 2013-14.

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Table 1
TOWN OF MORAGA
General Fund - Revenues, Expenditures and Fund Balances
Fiscal Years 2009-10 through 2011-12 (Audited) and 2012-13 and 2013-14 (Budgeted)

	Audited Fiscal Year 2009-10	Audited Fiscal Year 2010-11	Audited Fiscal Year 2011-12	Budgeted Fiscal Year 2012-13	Budgeted Fiscal Year 2013-14
Revenues:					
Property taxes and assessments	$1,666,315	$1,675,477	$1,693,952	$1,646,273	$1,674,696
Property tax-in lieu	1,270,581	1,248,672	1,255,380	1,261,137	1,272,332
Sales and use tax	723,246	695,885	728,891	757,296	759,316
Sales and use tax- public safety (1)	50,620	51,343	--	--	----
Sales and use tax- in lieu	202,550	220,460	235,322	274,342	259,838
Transaction and use tax (Measure K) (2)	--	--	--	--	1,000,000
Franchise fees	710,239	735,390	738,185	761,217	769,814
Motor vehicle license fees	48,468	48,982	43,316	--	--
Planning and permits	232,374	234,144	289,690	260,500	395,000
Interest	32,701	27,872	19,788	20,261	16,000
Property rentals	222,217	211,153	165,333	28,330	92,512
Parks and recreation	249,659	152,691	261,241	465,496	384,941
Police services	62,879	78,429	70,290	72,677	70,960
Public works services	396,146	343,956	135,533	145,125	295,000
Grants	100,000	--	--		
Other revenues	5,143	181,529	12,127	13,155	1,000
Total Revenues	5,973,138	5,905,983	5,649,048	5,705,809	6,991,109
Expenditures:					
General administration	1,253,101	1,090,454	1,202,641	1,472,229	1,498,091
Planning	530,386	444,159	430,203	461,280	645,952
Police	1,977,944	2,018,894	2,174,047	2,275,447	2,492,424
Public works	1,631,708	1,567,172	1,423,037	1,643,102	1,036,992
Parks and recreation	563,771	565,438	554,465	580,284	1,175,039
Capital outlay	6,270	--	22,910		
Total Expenditures	5,963,180	5,686,117	5,807,303	6,432,342	6,848,498
Excess (deficiency) of revenues over expenditures	9,958	219,866	(158,255)	(726,533)	142,611
Other financing sources (uses):					
Transfers in (3)	398,846	453,192	649,910	857,634	1,159,807
Transfers out (4)	(19,843)	(190,934)	(777,621)	(125,832)	(1,363,832)
Total other financing sources (uses)	379,003	262,258	(127,711)	731,802	(204,025)
Net Change in Fund Balance (5)	388,961	482,124	(285,966)	5,269	(61,414)
Fund balance, July 1 (6)	4,711,225	4,952,511	5,434,635	5,148,669	5,153,938
Fund balance, June 30 (6)	$5,100,186	$5,434,635	$5,148,669	$5,153,938	$5,092,524

(1) Revenue from Sales and use tax - public safety was reclassified into a Special Revenue Fund since fiscal year 2011-12 to provide separate accounting for funds received from the State restricted in use to law enforcement activities.
(2) Represents an estimate of revenue to be generated from recently adopted Measure K.
(3) The General Fund is the general operating fund of the Town. It is used to account for most discretionary resources except those that require separate accounting for local, state or federal reporting purposes. As the general operating fund for the Town, the Town accounts for all expenditures in the General Fund and uses Fund Transfers (transfers in/out) to provide revenues from other funds to cover expenditures that are eligible uses for restricted funds, Thus, Transfers In account for transfers from the Gas Tax, Measure J one-half cent county-wide transportation sales tax, and the National Pollutant Discharge Elimination System (NPDES), to name a few, to cover specific eligible expenditures for street maintenance, transportation planning, maintenance and operations, and storm drain activities respectively,

(4) The fiscal year 2013-14 Budget assumes all revenues from Measure K are transferred to a separate fund available for Base Rental Payments and capital costs.

(5) The net deficit of $285,966 in 2011-12 is due to the use of fund balance to pay off a promissory note for $450,000 in connection with the 331 Rheem Boulevard (Town's Corporation Yard) acquisition. The note was non-interest bearing but due in March 2012.

(6) GASB Statement No. 54 modified the fund balance classifications to reflect a hierarchy based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of resources reported in the General Fund. The General Fund balance includes all nonspendable, committed, assigned, and unassigned balances, including moneys derived from "Palos Colorados" one-time development fees. The change in fund balance of $147,675 between the fiscal year ended June 30, 2010 and the fiscal year beginning July 1, 2011 is due to the reclassification of funds into a Special Revenue Fund. These are funds received from the State (Supplemental Law Enforcement Services Fund – SLESF) restricted in use to supplement law enforcement activities.

Source: Town of Moraga: Basic Financial Statements (2009-10 through 2011-12) and Adopted Budget Documents (2012-13 and 2013-14).

Table 2
TOWN OF MORAGA
General Fund Balance Sheet
As of June 30 for Fiscal Years 2009-10 through 2011-12

	Audited Fiscal Year 2009-10	Audited Fiscal Year 2010-11	Audited Fiscal Year 2011-12
ASSETS:			
Cash and cash equivalents	$4,658,951	$5,383,461	$5,121,487
Accounts receivable	359,230	311,985	319,889
Interest receivable	7,534	7,044	
Prepaid expenses	47	267	420
Due from other funds	454,589		14,282
TOTAL ASSETS	$5,480,351	$5,702,757	$5,456,078
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued expenses	$ 259,810	$ 120,195	$ 147,040
Accrued payroll	117,085	140,199	157,641
Other liabilities	3,270	7,728	2,728
TOTAL LIABILITIES	380,165	268,122	307,409
FUND BALANCES: (1)			
Nonspendable		767	421
Committed (2)		2,390,737	2,140,737
Assigned		164,070	484,100
Unassigned		2,879,061	2,523,411
Unreserved, undesignated	5,100,186		
Total fund balance	5,100,186	5,434,635	5,148,669
TOTAL LIABILITIES AND FUND BALANCES	$5,480,351	$5,702,757	$5,456,078

(1) GASB Statement No. 54 modified the fund balance classifications to reflect a hierarchy based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of resources reported in the General Fund. The General Fund balance includes all nonspendable, committed, assigned, and unassigned balances, including moneys derived from “Palos Colorados” one-time development fees.

(2) These funds, derived from one-time fees from the Palos Colorados development, have not yet been assigned to particular projects. Town Council has discretion to assign these funds as needed.

Source: Town of Moraga; Basic Financial Statements (2009-10 through 2011-12).

Fund Balance Policies of the General Fund

The Town’s policy per Resolution No. 8-2012 is to achieve and maintain a General Fund Reserve balance of 50% of the General Fund operating expenditures. If the Town has any year-end surplus, such surplus is retained in the General Fund Reserve and any additional surplus remaining above the amount needed to satisfy the General Fund Reserve of 50% is deposited into a separate fund for Infrastructure Preservation and Improvement projects. The primary purpose of the General Fund Reserve is to protect the Town’s essential service programs and to fund requirements during periods of economic downturn or unforeseen catastrophic events. For fiscal year 2011-12, the Town’s unassigned General Fund balance was $2,523,411, which represents 43.5% of the actual General Fund expenditures of $5,807,303. In addition, the Town held a committed fund balance of $2,140,737 in the General Fund derived from “Palos Colorados” one-time development fees that has not been assigned to particular projects or operations and is subject to the Town Council’s discretion to assign. For the fiscal year 2011-12, the Town's total General Fund balance was $5,148,669 which represents 88.6% of the actual General Fund expenditures. Based on preliminary results, staff expects the reserve balance on hand to increase at year end fiscal year 2012-13.

Comparison of Budget to Actual Performance

The General Fund Budget includes programs and services which are provided on a Town-wide basis. The programs and services are financed primarily by the Town's share of property taxes, sales taxes, franchise fees and charges for services provided. The Town's budget process begins in January/February of each year with a planning and goal setting session. Also, in January/February, an update on the current year's budget is presented to the Town Council. Budget instructions are sent out in late February/early March and each department submits an estimate of revenues and expenditures for the upcoming year in April. Budget presentations are made to the Town's Audit and Finance Committee in May and to the Town Council in late May/early June. The budget is adopted by June 30 of each year.

For purposes of comparison, the following table summarizes the Town's adopted budget for fiscal year 2011-12 and sets forth audited revenues and expenditures for fiscal year 2011- 12.

Table 3
TOWN OF MORAGA
General Fund - Comparison of Budgeted and Actual Revenues, Expenditures and Change in Fund Balance For Fiscal Year 2011-12

	Budgeted Fiscal Year 2011-12	Audited Fiscal Year 2011-12	Over / (Under) Budget
Revenues:			
Property taxes and assessments	$1,706,888	$1,693,952	($12,936)
Property tax-in lieu	1,257,992	1,255,380	(2,612)
Sales and use tax [1]	675,037	728,891	53,854
Sales and use tax- public safety [1]	46,925	--	(46,925)
Sales and use tax- in lieu	220,460	235,322	14,862
Franchise fees	720,911	738,185	17,274
Motor vehicle license fees	59,419	43,316	(16,103)
Planning and permits	210,500	289,690	79,190
Interest	27,659	19,788	(7,871)
Property rentals	197,243	165,333	(31,910)
Parks and recreation	305,600	261,241	(44,359)
Police services	67,789	70,290	2,501
Public works services	241,550	135,533	(106,017)
Other revenues	13,155	12,127	(1,028)
Total Revenues	5,751,128	5,649,048	(102,080)
Expenditures:			
General administration	1,336,434	1,202,641	(133,793)
Planning	423,562	430,203	6,641
Police	2,201,284	2,174,047	(27,237)
Public works	1,650,694	1,423,037	(227,657)
Parks and recreation	541,994	554,465	12,471
Capital outlay	--	22,910	22,910
Total Expenditures	6,153,968	5,807,303	(346,665)
Excess (deficiency) of revenues over expenditures	(402,840)	(158,255)	
Other Financing Sources (Uses)			
Transfers in	662,291	649,910	
Transfers out	(162,552)	(777,621)	
Total Other Financing Sources (Uses)	499,739	(127,711)	
Net Change in Fund Balance [2]	96,899	(285,966)	

(1) While sales and use tax revenues received exceeded the budget estimate, revenue from Sales and use tax - public safety was reclassified into a Special Revenue Fund to provide separate accounting for funds received from the State restricted in use to law enforcement activities.

(2) The net deficit of $285,966 in 2011-12 is due to the use of fund balance to pay off the promissory note for $450,000 in connection with the 331 Rheem Boulevard (Town's Corporation Yard) acquisition. The note was non-interest bearing but due in March 2012.

Source: Town of Moraga.

Tax Receipts

Taxes received by the Town include property taxes, sales and use taxes, franchise fees and other miscellaneous revenues. In fiscal year 2011-12 property taxes constituted approximately 52.2% of general fund revenues, sales and use taxes constituted approximately 17.1% of general fund revenues, and franchise fees constituted approximately 13.0% of general fund revenues. With the passage of Measure K, a greater portion of the Town's General Fund revenues are expected to be derived from sales-tax related revenues.

The following table sets forth the primary tax revenues received by the Town for fiscal years 2008-09 through 2011-12, and the budgeted amounts for fiscal year 2012-13 and 2013-14, by source:

Table 4
TOWN OF MORAGA
General Fund Primary Tax Revenues by Source
Fiscal Years 2008-09 through 2011-12 (Actual) and 2012-13 and 2013-14 (Budgeted)

					Budgeted	
Source:	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Property taxes (1)	$2,894,885	$2,936,895	$2,919,134	$2,949,332	$2,907,410	$2,946,728
Sales and use tax (2)	894,291	925,796	916,345	964,213	1,031,638	1,019154
Transaction and use tax (3)						1,000,000
Franchise fees	693,055	710,240	735,390	738,185	761,217	769,814

(1) Property tax revenue includes secured, unsecured and supplemental property tax revenue along with penalties and interest. Also includes property taxes-in lieu, discussed below.
(2) Includes VLF backfill (sales and use tax- in lieu), discussed below.
(3) Measure K approved local add-on sales tax.
Source: Town of Moraga Administrative Services Department.

State Budget Triple Flip. On March 2, 2004, the State's voters approved the California Economic Recovery Bond Act ("**Proposition 57**"). Proposition 57 authorized the issuance of $15 billion in bonds to finance the 2002-03 and 2003-04 State budget deficits, which are payable from a fund established by the redirection of tax revenues through the "Triple Flip." Under the "Triple Flip," one-quarter of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdiction are redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local governments, the legislation then redirects property taxes in the ERAF to local governments. Because the ERAF monies were previously earmarked for schools, the legislation provides for schools to receive other State general fund revenues. The swap of sales taxes for property taxes will terminate once the deficit financing bonds are repaid, which is currently expected to occur by 2016.

Property Taxes

Property taxes have historically been the largest source of Town General Fund revenues. With approval of Proposition 13 in 1998, property tax revenues statewide were first limited when they were reduced by two-thirds and thereafter limited to 2% annual increases or the CPI, whichever was less. The Town receives only a portion of property taxes collected within the Town, sharing the revenue with other taxing entities. In addition, The Town currently also receives property taxes in lieu of sales taxes as a result of Proposition 57 (See "State Budget Triple Flip" above).

Assessed Valuation. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS," above.

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all property not attached to land such as personal property or business property. Boats and airplanes are examples of unsecured property. Unsecured property is assessed on the unsecured roll.

Historical Assessed Valuation Information. Set forth below is a listing of the Town's assessed valuations, net of homeowners' and other exemptions, for the past ten fiscal years. Other than a modest decline in fiscal year 2010-11, the Town's assessed values have grown every year in the last decade even through the economic recession, and fiscal year 2013-14 preliminary estimates from the County Assessor indicate an increase of approximately 6% over the prior fiscal year's values.

Table 5
TOWN OF MORAGA
Historical Assessed Valuation
For Fiscal Year 2003-04 through 2012-13

	Local Secured	Utility	Unsecured	Total	% Change
2003-04	$2,149,582,014	$58,439	$18,258,103	$2,167,898,556	
2004-05	2,307,028,854	58,439	17,997,314	2,325,084,607	7.3%
2005-06	2,475,482,356	56,175	17,895,236	2,493,433,767	7.2%
2006-07	2,653,660,916	56,814	19,605,474	2,673,323,204	7.2%
2007-08	2,817,219,178	56,814	21,084,705	2,838,360,697	6.2%
2008-09	2,914,504,408	0	20,896,105	2,935,400,513	3.4%
2009-10	2,966,295,435	0	23,530,177	2,989,825,612	1.9%
2010-11	2,913,959,285	0	24,304,709	2,938,263,994	-1.7%
2011-12	2,928,659,413	202,420	25,182,602	2,954,044,435	0.5%
2012-13	2,956,765,928	116,479	22,356,018	2,979,238,425	0.9%

Source: California Municipal Statistics.

Property Tax Collections. The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The Town participates in the Teeter Plan, and thus receives 100%

of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The Town's participation in the Teeter Plan makes more certain the availability of sufficient funds for the Town's repayment of the Certificates.

So long as the Teeter Plan remains in effect, the Town's receipt of revenues with respect to the levy of ad valorem property taxes will not be dependent upon actual collections of the ad valorem property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors can under certain circumstances terminate the Teeter Plan in part or in its entirety with respect to the entire County and, in addition, the Board of Supervisors can terminate the Teeter Plan with respect to the Town if the delinquency rate for all ad valorem property taxes levied within the Town in any year exceeds 3%. In the event that the Teeter Plan were terminated, the amount of the levy of ad valorem property taxes in the Town would depend upon the collections of the ad valorem property taxes and delinquency rates experienced with respect to the parcels within the Town.

Largest Secured Taxpayers. The following table lists the top 20 local secured taxpayers in the Town for fiscal year 2012-13.

Table 6
TOWN OF MORAGA
Top 20 Local Secured Taxpayers
Fiscal Year 2012-13

	Property Owner	Primary Land Use	2012-13 Assessed Valuation	% of Total (1)
1.	PK I Rheem Valley LP	Shopping Center	$ 33,679,942	1.14%
2.	Russell J. Bruzzone Inc.	Shopping Center	20,901,775	0.71
3.	Oakmont of Moraga LLC	Assisted Living Facility	10,295,758	0.35
4.	Moraga Enterprises Inc.	Country Club	8,104,679	0.27
5.	Bigbury Company NV	Undeveloped	7,688,512	0.26
6.	GKHB Royale Investments LP	Assisted Living Facility	7,466,067	0.25
7.	George Gage, Trustee	Apartments	7,350,000	0.25
8.	Angelo's Market	Shopping Center	5,783,000	0.20
9.	Philip J. Jaber, Trustee	Apartments	5,168,161	0.17
10.	KN Productions Inc.	Mini-Warehouse	4,949,605	0.17
11.	Moraga Builders Corp.	Residential Properties	4,890,504	0.17
12.	Debra Jean DeMello, Trustee	Apartments	3,893,287	0.13
13.	Vanguard Apartments LLC	Apartments	3,701,602	0.13
14.	Moraga CC Holdings LLC	Residential Properties	3,673,424	0.12
15.	Deborah S. Gage, Trustee	Apartments	3,495,732	0.12
16.	CT Operating Partnership LP	Shopping Center	3,453,161	0.12
17.	AAAAA Rent-a-Space Moraga Ltd.	Mini-Warehouse	3,265,400	0.11
18.	Michael G. Vrionis	Apartments	3,200,000	0.11
19.	Mahesh K. and Minoo Puri	Movie Theater	3,050,000	0.10
20.	Private property owner	Residence	3,022,243	0.10
			$147,032,852	4.97%

(1) 2012-13 Local Secured Assessed Valuation: $2,956,765,928.
Source: California Municipal Statistics, Inc.

Sales Taxes

General. Sales taxes have historically represented the second largest source of revenue to the Town. The sales tax is an excise tax imposed on retailers for the privilege of selling or leasing tangible personal property. The use tax is an excise tax imposed for the storage, use, or other consumption of tangible personal property purchased from any retailer. The proceeds of sales and uses taxes imposed within the Town are distributed by the State to various agencies, with the Town receiving 1.0% of the amount collected less 0.25% shifted to the State pursuant to a mechanism commonly known as “Triple Flip.” The 0.25% reduction in local sales tax is used to pay State economic recovery bonds, but cities and counties are then provided with ad valorem property tax revenues in lieu of these revenues. See “RISK FACTORS – Impact of State Sales and Use Tax Redirection.” In the November 2012 election, Moraga voters also approved Measure K as an additional one percent sales tax, which is an add-on local transactions and use tax to the combined state and local sales tax rate. All the proceeds of the Measure K one percent local transactions and use tax are distributed by the State directly back to the Town. With this addition, the total sales tax rate within the Town is now 9.50%.

The State collects and administers the tax, and makes distributions on taxes collected within the Town as follows:

Table 7
TOWN OF MORAGA
Sales Tax Rates

State General Fund	6.50%
Contra Costa County share	0.25
Town of Moraga share	0.75
Contra Costa Transportation Authority	0.50
Bay Area Rapid Transit	0.50
Town of Moraga Local Transactions and Use Tax (1)	1.00
Total	9.50%

(1) November 2012 Measure K voter-approved local add-on sales tax.

Sales Tax Collection Procedures. Collection of both the sales and use tax and transaction and use tax are administered by the California State Board of Equalization (the "**Board**"). The proceeds of the local transactions and use tax are distinct and distributed directly back to the cities to which they apply.

Under the Sales and Use Tax Law, all sales and use taxes collected by the Board under contract with any city, city and county, redevelopment agency, or county are required to be transmitted by the Board to such city, city and county, redevelopment agency, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the Board projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the Town on a monthly basis. The amount of each monthly advance is based upon the Board's quarterly projection. During the last month of each quarter, the Board adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

The Board receives an administrative fee based on the cost of services provided by the Board to the Town in administering the Town's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the Town.

History of Tax Receipts. Factors that have historically affected sales tax revenues include the overall economic growth of the Bay Area, competition from neighboring cities, and the growth of specific industries within the Town.

The following table shows sales and use tax receipts for the Town for the last 10 fiscal years. For fiscal year 2012-13, sales and use taxes revenues were budgeted at $757,296, however the actual amount is currently expected to be $745,394 for the fiscal year; the combined sales and use taxes and sales tax in lieu is expected to reach $998,578 by fiscal year end, an increase over the prior fiscal year.

The following table does not include the one-cent transaction and use tax of Measure K which became operative on April 1, 2013. The Town started receiving the additional tax revenue in June 2013. The estimate for the annual incremental sales tax revenue from Measure K ranges from $990,000 to $1,080,000; the fiscal year 2013-14 budget assumes $1,000,000.

Table 8
TOWN OF MORAGA
Sales and Use Tax Receipts
Fiscal Years 2002-03 through 2011-12

Year	Sales Tax (1)	In-Lieu	Combined Sales & Use Tax Receipts	Percent Change
2002-03	742,490		742,490	
2003-04	767,880		767,880	3.4%
2004-05	501,999	175,915	677,914	-11.7%
2005-06	617,427	174,805	792,232	16.9%
2006-07	657,641	216,998	874,639	10.4%
2007-08	732,322	240,713	973,035	11.2%
2008-09	658,573	235,718	894,291	-8.1%
2009-10	723,246	202,550	925,796	3.5%
2010-11	695,885	220,460	916,345	-1.0%
2011-12	728,891	235,322	964,213	5.2%

(1) Excludes statewide sales tax for public safety distributed to cities under Proposition 172 – Safety Sales Tax.
Source: Town of Moraga.

Franchise Fees

Franchise fees are the Town's third largest general fund revenue source. Franchise fees include those from Central Contra Costa County Solid Waste Authority, Pacific Gas & Electric, and Comcast Cable.

Retirement System

The Town offers a defined benefit pension plan provided by the California Public Employees Retirement System ("**CalPERS**") but the Town does not provide any other post-employment benefits, such as retiree health care.

Town's Safety and Miscellaneous Employees Plans**.** Substantially all Town employees are eligible to participate in the CalPERS pension plans offered by the Town. CalPERS is an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries.

The Town's employees participate in separate Safety (police) and Miscellaneous (all other) Employee Plans, depending on their employment position with the Town and date of hire. Effective January 1, 2013, the Town's employees conform with the Public Employees' Pension Reform Act of 2013 ("**PEPRA**") such that new employees participate in a lower-benefit plan than employees hired before January 1, 2013. Benefit provisions under the Plans are established by State statute and Town resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS; the Town must contribute these amounts. Since the Town has less than 100 active members, it is required to participate in a risk pool that pools together similarly-sized jurisdictions into a Plan.

Funding Policy**.** Both Safety and Miscellaneous members in each respective Plan are required to contribute a percentage of annual covered salary to the Plan.

For employees hired before January 1, 2013, the following summarizes the plan:

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Normal retirement age	50	55
Monthly benefits as % of salary	2%	2%
Required employee contribution rate	9%	7%
Required employer contribution rate (2013-14)	19.9%	10.282%

For employees, post January 1, 2013, the following summarizes the plan:

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Normal retirement age	57	62
Monthly benefits as % of salary	2.7%	2%
Required employee contribution rate *	11.50%	6.25%
Required employer contribution rate *	11.50%	6.25%

* These amounts represent levels for 2013-14 and may change in future years. Under PEPRA, employees hired after January 1, 2013 will contribute 50% of the retirement plan's cost.

Funded Status.The actuarial methods and assumptions used are those adopted by the CalPERS Board. CalPERS determines contribution requirements using a modification of the Entry Age Normal Cost Method. Under this actuarial method, the Town's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability.

The Town's Safety Plan represented approximately 1.75% of the statewide Safety 2% at 50 Risk Pool, which had an unfunded actuarial liability of $72,785,543 and a funded ratio of 84.5%, as of the June 30, 2010 valuation date. The Town's Miscellaneous Plan represented approximately 0.23% of the statewide Miscellaneous 2% at 55 Risk Pool, which had an unfunded actuarial liability of $362,656,828 and a funded ratio of 89.0%, as of the June 30, 2010 valuation date. Further details on the funded status of the statewide CalPERs risk pools in which the Town participates are provided in Note 7 to the Town's audited financial statements attached as Appendix C.

In June 2008, the Town paid off its "sidefund," the $1,454,201 Net Pension Obligation that resulted from the State mandate to participate in the statewide safety and miscellaneous risk pools. This created a net pension asset in the government-wide financial statements. The net pension asset was funded from the one- time development fee (i.e., Palos Colorados revenues). The net pension asset is amortized over a 30-year amortization period, which began in 2009. Amortization expense for the year ended June 30, 2012 was $48,473, resulting in a net pension asset of $1,260,310 as of June 30, 2012.

Annual Contributions. For fiscal year 2013-14, the Town's annual required contribution ("**ARC**") for the Safety and Miscellaneous Plans combined is $421,365 as determined by the June 30, 2011 actuarial valuation using the Entry Age Normal Cost Method with the actual contributions determined as a percent of pay. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.10% for classic miscellaneous members and from 3.30% to 14.20% for classic safety members; (c) 2.00% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75% and an annual production growth of 0.25%. For the fiscal year 2013-14, the Town budgeted for the pension cost, $454,475. Information about annual contributions for fiscal years 2009-10 through 2013-14 is provided in the table below.

Table 10
Five-year Trend Information for the Plan

Fiscal year ended June 30	Actuarial Valuation Date (June 30)	Safety Plan ARC	Miscellaneous Plan ARC	Total ARC	Percentage of ARC Contributed
2010	2007	$130,213	$129,999	$260,212	100%
2011	2008	143,020	163,568	306,588	100
2012	2009	184,026	178,022	362,048	100
2013	2010	188,113	186,549	374,662	100
2014	2011	208,740	212,625	421,365	100

Source: Town of Moraga

***Recent CalPERS Actions*.** On March 14, 2012, the CalPERS Board voted to reduce its discount rate, which rate is attributable to its expected price inflation and investment rate of return (net of administrative expenses), from 7.75% to 7.5%. As a result of such discount rate decrease, among other things, the amounts of CalPERS member public agency contributions will increase by 1 to 2% for Miscellaneous plans and 2 to 3% for Safety plans beginning in fiscal year 2013-14. The impact of this change for fiscal year 2013-14 is reflected in Table 10, above. More information about the CalPERS discount rate adjustment can be accessed through the CalPERS website at www.calpers.ca.gov/index.jsp?bc=/about/press/pr-2012/mar/discount-rate.xml. *The reference to this internet website is shown for reference and convenience only, the information contained within the website may not be current and has not been reviewed by the Town and is not incorporated herein by reference.*

The CalPERS Board adjustments have been undertaken in order to address underfunding of the CalPERS funds, which arose from significant losses incurred as a result of the economic crisis arising in 2008 and persists due to a slower than anticipated, subsequent economic recovery.

At its April 17, 2013 meeting, the CalPERS Board approved a recommendation to change the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

The new amortization and smoothing policy will be used for the first time in the June 30, 2013 actuarial valuations, performed in the fall of 2014 to set employer contribution rates for fiscal year 2015-16. The Town cannot predict how this change in amortization and smoothing policies will affect its contribution levels.

***Pension Reform Act of 2013 (Assembly Bill 340)*.** On September 12, 2012, Governor Brown signed AB 340, a bill that will enact the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**") and that will also amend various sections of the California Education and Government Codes, including the County Employees Retirement Law of 1937. AB 340 (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual CalPERS pension benefit payout, (iii) addresses numerous abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their CalPERS pension benefits. PEPRA will apply to all public employers *except* the University of California, charter cities and charter counties (except to the extent they contract with CalPERS.)

The provisions of AB 340 went into effect on January 1, 2013 with respect to State employees hired on that date and after; local government employee associations, including employee associations of the Town, will have a five-year window to negotiate compliance with AB 340 through collective bargaining. If no deal is reached by January 1, 2018, a city, public agency or school district could force employees to pay their half of the costs of CalPERS pension benefits, up to 8 percent of pay for civil workers and 11 percent or 12 percent for public safety workers.

CalPERS predicts that the impact of AB 340 on employers, including the Town, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. Additionally, CalPERS notes that changes arising from AB 340 could ultimately have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

More information about AB 340 can be accessed through PERS's website at www.calpers.ca.gov/index.jsp?bc=/member/retirement/pension-reform-impacts.xml&pst=ACT&pca=ST. *The reference to this internet website is shown for reference and convenience only; the information contained within the website may not be current and has not been reviewed by the Town and is not incorporated herein by reference.*

The Town is unable to predict what the amount of CalPERS liabilities will be in the future or the amount of the CalPERS contributions which the Town may be required to make. However, the best information available to date suggests that the Town should expect 1 to 4% annual increases in the Miscellaneous Plan rates over the next 5 years; and 2 to 5.5% annual increases in the Safety Plan rates over the next 5 years toward full funding of CalPERS liabilities in 30 years.

Outstanding General Fund Debt and Lease Obligations

The Town currently has outstanding general fund debt and lease obligations described below. The Town has never defaulted on the payment of principal of or interest on any of its indebtedness. The Town has complied with all significant bond covenants relating to reserve and sinking fund requirements, proofs of insurance, and budgeted revenues and maintenance costs.

2010 Certificates of Participation. In March 2010, the Town issued $1,525,000 of 2010 Certificates of Participation (Town Hall Improvement Project). As of July 1, 2013, the outstanding principal amount of the 2010 Certificates was $1,380,000. The remaining debt service on the 2010 Certificates is approximately $115,000 annually through 2029.

Energy Efficiency Loan. In fiscal year 2009-10, the Town entered into a Energy Efficiency Loan agreement with the California Energy Commission up to $198,935, with a 3% interest rate, for various energy saving projects throughout the Town. As of June 30, 2012, all the projects have been completed with the loan amount was set at $73,916. This loan will be repaid in full by June 22, 2018.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated June 1, 2013. The Debt Report is included for general information purposes only. The Town has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the Town in whole or in part. Such long-term obligations generally are not payable from revenues of the Town (except as indicated) nor are they necessarily obligations secured by land within the Town. 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.

Table 11
TOWN OF MORAGA
Statement of Direct and Overlapping Debt (As of June, 2013)

2012-13 Assessed Valuation: $2,979,238,425

	% Applicable	Debt 6/1/13
OVERLAPPING TAX AND ASSESSMENT DEBT:		
Bay Area Rapid Transit District	0.593%	$ 2,435,392
Contra Costa Community College District	2.109	4,427,424
Acalanes Union High School District	12.516	25,219,553
Moraga School District	97.353	6,960,740
Orinda Union School District	0.270	26,677
East Bay Regional Park District	0.916	1,241,775
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$40,311,561
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Contra Costa County General Fund Obligations	2.101%	$ 5,938,288
Contra Costa County Pension Obligations	2.101	6,515,411
Contra Costa Community College District Certificates of Participation	2.109	16,450
Town of Moraga 2010 Certificates of Participation	100.000	1,380,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$13,850,149
Less: Contra Costa County Obligations supported by revenue funds		2,205,897
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$11,644,252
GROSS COMBINED TOTAL DEBT		$54,161,710 (1)
NET COMBINED TOTAL DEBT		$51,955,813

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to Assessed Valuation:
Combined Direct Debt ($1,380,000) 0.08%
Total Overlapping Tax and Assessment Debt.................. 1.35%
Gross Combined Total Debt.. 1.82%
Net Combined Total Debt.. 1.74%

Source: California Municipal Statistics, Inc.

Investment of Town Funds

The Town may invest moneys not immediately required for operations in a manner consistent with the Town's investment policy (the "**Investment Policy**"). The Investment Policy was adopted by the Town Council in accordance with Section 53601 of the Government Code of California. For information concerning the Town's investments see "APPENDIX C- Audited Financial Statements of the Town for the Year Ended June 30, 2012- Note 3- Cash and Investments."

RISK FACTORS

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

General Considerations – Security for the Certificates

The obligation of the Town to make the Base Rental Payments does not constitute a debt of the Town or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the Town or the State is obligated to levy or pledge any form of taxation or for which the Town or the State has levied or pledged any form of taxation.

Although the Facility Lease does not create a pledge, lien or encumbrance upon the funds of the Town, the Town is obligated, subject to abatement, under the Facility Lease to pay the Base Rental Payments from any source of legally available funds and the Town has covenanted in the Facility Lease that it will take such action as may be necessary to include all rental payments due under the Facility Lease in its annual budgets and to make necessary annual appropriations for all such rental payments. The Town is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Base Rental Payments.

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

The Town's ability to collect, budget and appropriate various revenues is subject to current and future State laws and constitutional provisions, and it is possible that the interpretation and application of these provisions could result in an inability of the Town to pay the Base Rental Payments when due. See "RISK FACTORS - Relevant Pending Litigation" and "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Eminent Domain

If the Leased Facilities are taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Facility Lease will cease as of the day possession is taken. If less than all of the Leased Facilities are taken permanently, or if the Leased Facilities or any part thereof are taken temporarily, under the power of eminent domain, (1) the Facility Lease will continue in full force and effect and will not be terminated by virtue of such taking, and (2) there will be a partial abatement of Base Rental Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Base Rental Payments, in an amount to be agreed upon by the Town and the Authority such that the resulting Base Rental Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Facilities. The Town covenants in the Facility Lease to contest any eminent domain award which is insufficient to either: (i) redeem the Certificates in whole, if all of the Leased Facilities are condemned; or (ii) redeem a pro rata share of Certificates, in the event that less than all of the Leased Facilities are condemned.

Abatement

The Facility Lease provides that the amount of Base Rental Payments will be subject to abatement during any period in which by reason of damage or destruction or other event there is substantial interference with the use and occupancy by the Town of the Leased Facilities. The amount of such abatement will be agreed upon by the Town and the Authority such that the resulting Base Rental Payments represent fair consideration for the use and occupancy of the portions of the Leased Facilities not damaged, destroyed or unavailable. Such abatement will continue for the period commencing with such damage, destruction or unavailability and ending with the substantial completion of the work of repair or reconstruction, or resumption of availability. In the event of any such damage, destruction or other event, the Facility Lease will continue in full force and effect and the Town, in the Facility Lease, waives any right to terminate the Facility Lease by virtue of any such damage and destruction.

However, there will be no abatement of Base Rental Payments to the extent that the proceeds of an eminent domain or insurance award (including proceeds of rental interruption insurance maintained by the Town under the Facility Lease) are available to pay Base Rental Payments, or to the extent that moneys are available in the Lease Payment Fund or the Reserve Fund, it being declared in the Facility Lease that such proceeds and amounts constitute special funds for the payment of the Base Rental Payments.

Following the period for which funds are available from the Reserve Fund or other funds and accounts established under the Trust Agreement for payment of Base Rental Payments, or in the event that casualty or rental interruption or other insurance proceeds are insufficient to provide for complete repair or replacement of such portion of the Leased Facilities or prepayment of the Certificates, there could be insufficient funds to make payments to Owners in full.

Limited Recourse on Default; No Acceleration

If the Town defaults on its obligation to make Base Rental Payments, there is no available remedy of acceleration of the total Base Rental Payments due over the term of the Facility Lease. The Town will only be liable for Base Rental Payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's rental payments.

Limitation on Remedies; Bankruptcy

The rights of the Owners of the Certificates are subject to the limitations on legal remedies against cities in the State, including State constitutional limits on expenditures and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest, by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws affecting the enforcement of creditors' rights, by equitable principles, by the exercise of judicial powers in appropriate cases and by the exercise by the federal and State governments of their sovereign powers. The opinions of counsel, including Special Counsel, delivered in connection with the Certificates will be so qualified. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the Town, there are no involuntary petitions in bankruptcy. Bankruptcy proceedings, if initiated, or the exercise of powers by the federal or State government, could subject the owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise and consequently may entail risk or delay, limitation or modification of their rights.

Substitution or Release of Leased Facilities

As described above (see "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES - Release or Substitution of Leased Facilities"), the Facility Lease permits the Town to substitute additional real property and/or improvements for existing Leased Facilities upon compliance with certain conditions set forth in the Facility Lease.

In the case of both substitution and release of Leased Facilities, the Facility Lease requires with respect to the value of the remaining Leased Facilities that its value at least equal the aggregate principal components of the unpaid Base Rental Payments and the Outstanding Certificates. Consequently, a portion of the Leased Facilities could be replaced with less valuable property, or could be released altogether. Such replacement or release could have an adverse impact on the security for the Certificates, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release.

Seismic Considerations

General. The Town, like much of California, is subject to seismic activity that could result in interference with its right to use and possession of the Leased Facilities. The active Hayward fault system has been mapped approximately 8 kilometers from the center of Town. Some of the other nearby active faults systems which could induce strong ground shaking in the Town include: the Calaveras, Concord-Green Valley, Rodgers Creek, San Andreas, San Gregorio, and Greenville faults. The three faults that pose the greatest risk are (i) the Hayward Fault, approximately 8 kilometers from the Town, (ii) the Calaveras Fault, approximately 12 kilometers from the Town and (iii) the Concord-Green Valley Fault. The San Andreas Fault is located approximately 38 kilometers from the Town.

The Town has experienced earthquakes with a Richter magniture of 7.0 or greater and with the epicenter being within 100 miles (approximately 160 kilometers) of the Town within the San Francisco Bay Area. Following such earthquakes, the Town continued to function and continued providing essential public services to its citizens. The Town's building code requirements and policy of strict regulatory enforcement helps to limit earthquake damage. The Town is not obligated by the Facility Lease or otherwise to maintain earthquake insurance with respect to the Leased Facilities if such insurance in not available at commercially reasonable rates.

No Liability of Authority to the Owners

Except as expressly provided in the Trust Agreement, the Authority will not have any obligation or liability to the Owners of the Certificates with respect to the payment when due of the Base Rental Payments by the Town, or with respect to the performance by the Town of other agreements and covenants required to be performed by it contained in the Facility Lease or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

State Budget

General. In recent years, the State has faced significant financial and budgetary stress, from which it has only began to recover in fiscal year 2012-13, experiencing budget shortfalls in the billions of dollars each of the last several years. State revenues declined significantly as a result of recent economic conditions and other factors and the State looked to its vast number of redevelopment agencies to help close its financial shortfall. While many communities have suffered financially with the elimination of their redevelopment agencies, the Town was spared that financial crisis since Moraga did not historically create nor rely on redevelopment revenue to augment its budget.

The Governor's Budget for fiscal year 2013-14 now provides California's most stable fiscal footing in well over a decade, with tough spending cuts and the elimination of redevelopment agencies over the past two years and new temporary revenues provided by the passage of Proposition 30. The Budget reflects that the State's economic and budget recovery is continuing. In the second quarter of 2013, the State experienced a multibillion dollar increase in current‑year cash receipts. Yet, the influx is expected to be short‑lived. Schools will benefit from this one‑time increase, as well as from the implementation of the Local Control Funding Formula.

The 2013-14 State Budget is a multiyear plan that is balanced, maintains a $1.1 billion reserve, and pays down budgetary debt from past years. The vast majority of the spending growth is in education and health care. Revenues are projected to grow, in large part, due to voter approval of a temporary increase in income and sales taxes approved in November 2012 (the "**2012 Tax Increase**"). With the passage of Proposition 30, the fiscal years 2012-13 and 2013-14 budgets will reinvest in, rather than cut, education funding. From fiscal years 2011-12 through 2016-17, the Proposition 98 minimum funding guarantee will increase from $47.3 billion to $66.5 billion, an increase of more than $19 billion.

The execution of the 2013-14 State Budget may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, state and international economic conditions, (iii) litigation risk associated with proposed spending reductions, (iv) rising health care costs and (iv) other factors, all or any of which could cause the revenue and spending projections made in the 2013-14 State Budget to be unattainable.

While the State is not a significant source of Town revenues, and the Town does not anticipate that the State's financial condition will materially adversely affect the financial condition of the Town, there can be no assurances that any of the State's current financial pressures, the 2013-14 State Budget, or future State budgets will not adversely affect the Town. Decreases in State revenues may have an adverse impact on the Town's ability to repay the Base Rental Payments.

Information about the 2013-14 Proposed, May Revise, and Adopted State Budget and other State budgets is regularly available at various State-maintained websites. An impartial analysis of the budget is posted by the Legislative Analyst Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, 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 Town, or the Underwriter, and the Town and the Underwriter take no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," the interest represented by the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Certificates as a result of acts or omissions of the Town in violation of its covenants in the Trust Agreement and the Facility Lease.

In addition, current and future legislative proposals, if enacted into law, may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals.

Should such an event of taxability occur, the Certificates would not be subject to a special prepayment and would remain outstanding until maturity or until prepaid under the prepayment provisions contained in the Trust Agreement.

Secondary Market

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that any Certificates can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Certificates will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Certificates for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Certificates or obligations that present similar tax issues as the Certificates.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

Article XIIIA of the State Constitution, known as Proposition 13, was approved by the voters in June 1978 and has been amended on occasions, including most recently on November 7, 2000 to reduce the voting percentage required for the passage of school bonds. Section l(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section l(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest or redemption charges on any (1) indebtedness approved by the voters prior to July 1, 1978, (2) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition and (3) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition.

Section 2 of Article XIIIA defines "**full cash value**" to mean the county assessor's valuation of real property as shown on the 1975-76 fiscal year tax bill, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. See "Litigation Relating to Two Percent Limitation" below. Legislation implementing Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIIIA, which is $1.00 per $100 of assessed market value.

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

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

Article XIIIB of the California Constitution

In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIIIB which effectively limits the amount of such revenues those entities are permitted to spend. Article XIIIB, approved by the voters in July 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

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

Proposition 62

Proposition 62 was a statutory initiative adding Sections 53720 to 53730, inclusive, to the California Government Code. It confirmed the distinction between a general tax and special tax, established by the State Supreme Court in 1982 in *City and County of San Francisco v. Farrell*, by defining a general tax as one imposed for general governmental purposes and a special tax as one imposed for specific purposes. Proposition 62 further provided that no local government or district may impose (i) a general tax without prior approval of the electorate by majority vote or (ii) a special tax without such prior approval by two-thirds vote. It further provided that if any such tax is imposed without such prior approval, the amount thereof must be withheld from the levying entity's allocation of annual property taxes for each year that the tax is collected. By its terms, Proposition 62 applies only to general and special taxes imposed on or after August 1, 1985. Proposition 62 was generally upheld in *Santa Clara County Local Transportation Authority v. Guardino*, a California Supreme Court decision filed September 28, 1995.

Because the Town of Moraga is a General Law city, Measure K, which was a general tax, required a majority vote. Measure K was passed in the November, 2012 election by 70.5% of the voters in Moraga.

Articles XIIIC and XIIID of the California Constitution

General. On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the Town to levy and collect both existing and future taxes, assessments, fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the "Supermajority Vote to Pass New Taxes and Fees Act". Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article XIIIC define "taxes" that are subject to voter approval as "any levy, charge, or exaction of any kind imposed by a local government," with certain exceptions.

Taxes. Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the Town ("general taxes") require a majority vote; taxes for specific purposes ("special taxes"), even if deposited in the Town's General Fund, require a two-thirds vote. The voter approval requirements of Article XIIIC reduce the flexibility of the Town to raise revenues for the General Fund, and no assurance can be given that the Town will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Property-Related Fees and Charges. Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Reduction or Repeal of Taxes, Fees and Charges. Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the Town will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the Town's General Fund. If such repeal or reduction occurs, the Town's ability to pay Base Rental Payments under the Facility Lease debt could be adversely affected.

Burden of Proof. Article XIIIC provides that local government "bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity." Similarly, Article XIIID provides that in "any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance" with Article XIIID.

Impact on Town's General Fund. The approval requirements of Articles XIIIC and XIIID reduce the flexibility of the Town to raise revenues for the General Fund, and no assurance can be given that the Town will be able to impose, extend or increase the taxes, fees, charges or taxes in the future that it may need to meet increased expenditure needs.

***Judicial Interpretation*.** The interpretation and application of Articles XIIIC and XIIID will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Proposition 1A; Proposition 22

Proposition 1A. Proposition 1A, proposed by the Legislature in connection with the State's fiscal year 2004-05 Budget, approved by the voters in November 2004 and generally effective in fiscal year 2006-07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibited the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county had to be approved by two-thirds of both houses of the Legislature.

Proposition 1A provided, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaimed that the shift is needed due to a severe state financial hardship, the shift was approved by two-thirds of both houses and certain other conditions were met. The State could also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 22. Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

The Town expects Proposition 22 to result in more stable revenues for the Town.

Unitary Property

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

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

Future Initiatives

Article XIIIA, Article XIIIB, Proposition 62, Proposition 57 and Proposition 218 were each adopted as measures that qualified for the ballot through California's initiative process. From time to time other initiative measures could be adopted, further affecting the Town's revenues.

CONTINUING DISCLOSURE

The Town will covenant for the benefit of owners of the Certificates to upon request provide certain financial information and operating data relating to the Town by not later than March 1 after the end of each fiscal year of the Town (currently June 30), commencing with the report for the 2012-13 fiscal year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in "APPENDIX E – Form of Continuing Disclosure Certificate," attached to this Official Statement. These covenants have been made in order to assist the Underwriter (as defined below) in complying with Securities Exchange Commission Rule 15c2 12(b)(5).

The Town has previously entered into a disclosure undertaking under the Rule in connection with the issuance of its 2010 Certificates of Participation. The Town missed filing the initial Annual Report to the Dissemination Agent for that obligation and has subsequently corrected all of the known shortcomings. In order to ensure future compliance with its continuing disclosure undertakings, the Town will work with a third-party dissemination agent and will include in the audited financial statements or adopted budget document all financial and operating data that is required to be included in the annual reports, with the goal of filing only two documents for each obligation on an annual basis.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of the Base Rental Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Town comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Certificates. The Town has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest with respect to the Certificates in gross income for federal income tax purposes to be retroactive to the date of issuance of the Certificates.

If the initial offering price to the public (excluding bond houses and brokers) at which a Certificate is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Certificates to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Certificate. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Certificates who purchase the Certificates after the initial offering of a substantial amount of such maturity. Owners of such Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Certificates under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Certificate (said term being the shorter of the Certificate's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Certificate for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Certificate is amortized each year over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Certificate premium is not deductible for federal income tax purposes. Owners of premium Certificates, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Certificates.

In the further opinion of Special Counsel, the portion of Base Rental Payments designated as and comprising interest and received by the owners of the Certificates is exempt from California personal income taxes.

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

CERTAIN LEGAL MATTERS

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, substantially in the forms attached as Appendix D, will be made available to purchasers at the time of original delivery of the applicable series of Certificates, and a copy thereof will accompany each applicable Certificate. Jones Hall is also acting as Disclosure Counsel to the Town. Certain legal matters will be passed upon for the Authority and the Town by Burke, Williams & Sorensen, LLP, Oakland, California, as the Town Attorney. Quint & Thimmig LLP, Larkspur, California, is serving as counsel to the Underwriter.

Payment of the fees and expenses of Special Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon the execution and delivery of the Certificates.

LITIGATION

There is no litigation pending or, to the Town’s knowledge, threatened in any way to restrain or enjoin the execution or delivery of the Certificates, the Facility Lease or the Trust Agreement, to contest the validity of the Certificates, the Facility Lease or the Trust Agreement, or any proceeding of the Town with respect thereto. In the opinion of the Town and its counsel, there are no lawsuits or claims pending against the Town which will materially affect the Town’s finances so as to impair its ability to pay Base Rental Payments when due.

UNDERWRITING

The Bonds were sold to Stifel Nicolaus & Company, Incorporated (the “**Underwriter**”), pursuant to a certificate purchase contract for the Certificates.

The Underwriter has agreed to purchase the Certificates at a price of $7,918,397.40 (which is equal to the initial principal amount of the Certificates, plus net original issue premium of $259,946.50, less Underwriters' discount of $61,549.10.

The certificate purchase contract relating to the Certificates provide that the Underwriter will purchase all of the Certificates (if any are purchased), and provide that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

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

RATING

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**"), has assigned its municipal bond rating of "AA+" to the Certificates.

The rating reflects only the view of S&P and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Town has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement).

There is no assurance that any rating will continue for any given period of time or that a rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Certificates may have an adverse effect on the market price or marketability of the Certificates.

EXECUTION

The execution and delivery of this Official Statement have been duly authorized by the Town Council of the Town.

TOWN OF MORAGA

By: /s/ Jill Keimach
Town Manager

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussions of selected features of the Facility Lease and the Trust Agreement are made subject to all of the provisions of the Facility Lease and the Trust Agreement. This summary does not purport to be a complete statement of said provisions and prospective purchasers of the Certificates are referred to the complete text of the Facility Lease and the Trust Agreement.

DEFINITIONS

The following definitions are as set forth in the Trust Agreement and/or the Facility Lease:

"Additional Payments" means all amounts payable by the Town under the Facility Lease other than Base Rental Payments.

"Authorized Defeasance Securities" means (a) non-callable direct obligations of the United States of America ("Treasuries"), (b) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as a custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated or (c) pre-refunded municipal obligations rated "AAA" and "Aaa" by Standard & Poor's Corporation and Moody's Investors Service, respectively, at the time of purchase or investment.

"Authorized Representative" for purposes of the Trust Agreement (a) as to the Town, means the Mayor, the Town Manager, the Administrative Services Director or any other person designated in writing by the Town Council as an Authorized Representative of the Town for purposes of the Trust Agreement, and (b) as to the Authority, means the President, the Executive Director, the Chief Financial Officer or any other person designated in writing by the Board of Directors of the Authority.

"Base Rental Payments" means the scheduled semi-annual payments to be made by the Town under the Facility Lease.

"Business Day" means any day other than a Saturday or Sunday or day upon which the Corporate Trust Office is authorized by law to remain closed.

"Certificates" means the Town of Moraga 2013 Certificates of Participation authorized by and at any time Outstanding under the Trust Agreement and executed and delivered in accordance with the terms thereof. Serial Certificates means Certificates with respect to which no sinking fund payments are provided.

"Certificate of Completion" means a Certificate of the Town certifying that the Project has been completed, stating the date of such completion and stating that all of the Project Costs thereof and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Project Fund is to be maintained in the full amount of such claims until such dispute is resolved).

"Certificate Year" means the 12-month period ending on April 1 of each year to which reference is made, except that the initial Certificate Year for the Certificates shall commence on the Closing Date and end on April 1, 2014.

“Closing Date” means the date on which the Certificates are delivered to the original purchaser thereof in exchange for payment of the purchase price for the Certificates.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Corporate Trust Office” means the corporate trust office of the Trustee in Costa Mesa, California or such other office as may be designated in writing from time to time by the Trustee; and with respect to the delivery of the Certificates, so long as Wilmington Trust, N.A. is the Trustee, such other office as may be designated in writing from time to time by the Trustee.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the Town and related to the authorization, execution and delivery of the Facility Lease, the Trust Agreement and the execution, sale and delivery of the Certificates, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the Certificates, fees of the Authority and any other cost, charge or fee in connection with the original execution and delivery of the Certificates.

“Event of Default” has the meaning described below under “Event of Default”.

“Facility Lease” means that certain lease, entitled “Facility Lease,” by and between the Authority as lessor and the Town as lessee dated as of August 1, 2013, as supplemented, modified or amended from time to time pursuant to the provisions of the Trust Agreement and the Facility Lease.

“Financial Newspaper” means *The Wall Street Journal* or The Bond Buyer, or any other newspaper or journal printed in the English language, publishing financial news and selected by the Trustee, which shall be under no liability by reason of such selection.

“Fiscal Year” means the 12-month period terminating each June 30, or any other annual accounting period selected and designated by the Town as its Fiscal Year in accordance with applicable law.

“Independent Financial Advisor” means financial advisor or financial advisory firm of recognized national standing in the field of providing financial advice to local government agencies with respect to municipal bond transactions or like municipal securities transactions, appointed and paid by the Town, and who, or each of whom (1) is in fact independent and not under the domination of the Town; (2) does not have a substantial financial interest, direct or indirect, in the operations of the Town or the Certificates; and (3) is not connected with the Town as a member, officer or employee of the Town, but who may be regularly retained to provide financial advisory services to the Town.

“Information Services” means the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system, or such other services providing information with respect to called bonds in accordance with then-current guidelines of the Securities and Exchange Commission; or to such other addresses and/or such other services providing information with respect to called bonds as the Town may designate in a Written Request of the Town delivered to the Trustee.

“Interest Payment Date” means a date on which interest with respect to the Certificates is paid, being each April 1 and October 1, commencing April 1, 2014.

"*Maximum Annual Debt Service*" means the sum of (1) the interest falling due with respect to then Outstanding Certificates, assuming that all then Outstanding Serial Certificates are retired as scheduled and that all then Outstanding Term Certificates are prepaid or purchased or retired at maturity at the times of and in amounts equal to the annual minimum sinking fund account payments applicable to such Term Certificates, but excluding any interest funded from the proceeds of any series of Certificates, if any, and deposited in the Interest Account to pay interest, and (2) the principal amount with respect to the then Outstanding Serial Certificates falling due by their terms; all as computed for the twelve-month period ending April 1 in which such sum is largest;

"*Annual Debt Service*" means the sum of said items (1) and (2), as computed for the twelve-month period ending April 1 to which reference is made.

"*Debt Service*" means the sum of said items (1) and (2).

"*Average Annual Debt Service*" means total Debt Service, divided by the number of twelve-month periods ending on April 1 (including any fractional period) remaining from the first maturity date of any Outstanding Certificate to the last maturity date of any Outstanding Certificate.

"Moody's Investors Service" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's Investors Service" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Town.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds or like municipal securities, appointed and paid by the Town.

"Outstanding" at any particular time with reference to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates except: (1) Certificates previously cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Certificates paid or deemed to have been paid as described below under "Defeasance"; and (3) Certificates in lieu of or in substitution for which other Certificates have been executed and delivered by the Trustee pursuant to the Trust Agreement.

"Owner" means any person who is the registered owner of any Outstanding Certificate.

"Permitted Investments" means any of the following to the extent then permitted by the laws of the State and the Town's adopted Investment Policy, as shown by a Certificate of the Town delivered to the Trustee:

(1) (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated;

(2) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(a) Federal Home Loan Mortgage Corporation (FHLMC) participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) senior debt obligations;

(b) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes;

(c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations;

(d) Federal National Mortgage Association (FNMA) senior debt obligations mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(e) Government National Mortgage Association (GNMA) senior debt obligations mortgage-backed securities.

(3) Bankers' acceptances (having maturities of not more than 180 days) of any bank the short-term obligations of which are rated "A-1" or better by Standard & Poor's Corporation;

(4) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least $5 million;

(5) Commercial paper (having original maturities of not more than 270 days) rated "A-1" by Standard & Poor's Corporation and "Prime-1" by Moody's Investors Service;

(6) The Local Agency Investment Fund (Sections 53600-53609 of the Government Code of the State), as now in effect or as may be amended or recodified from time to time; provided, that such investment is held in the name and to the credit of the Trustee; and provided further, that the Trustee may restrict such investment if required to keep monies available for the purposes of the Trust Agreement;

(7) Money market funds (including money market funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services) which invest in Federal Securities or which are rated in the highest short-term rating category by Moody's Investors Service or Standard & Poor's Corporation.

Permitted Investments may not include corporate debt other than commercial paper rated in the highest category by the Rating Agencies. Funds in the Reserve Account may be invested only in Permitted Investments with a term to maturity not exceeding five years.

"Project" means the construction and acquisition of such capital improvements to be financed with proceeds of the Certificates as are determined by the Town, including street and related storm drain improvements.

"Project Costs" means all costs of acquisition, design and construction of the Project and of expenses incident thereto (or for making reimbursements to the Town or any other person, firm or Authority for such costs theretofore paid by him or it), including, but not limited to, architectural and engineering fees and expenses, interest during construction, furnishings and equipment, tests and inspection, surveys, land acquisition, insurance premiums, losses during construction not insured against because of deductible amounts, costs of accounting, feasibility, environmental and other reports, inspection costs, permit fees, filing and recording costs and other Project-related costs.

"Rating Agencies" means Standard & Poor's Corporation and Moody's Investors Service.

"Record Date" means, with respect to an Interest Payment Date, the 15th day of the month immediately preceding such Interest Payment Date, irrespective of whether such date is a Business Day.

"Related Documents" means the Site Lease, the Facility Lease and the Trust Agreement.

"Reserve Account Requirement" means 50% of Maximum Annual Debt Service.

"Revenues" means (i) all Base Rental Payments and other payments paid by or for the benefit of the Town and received by the Trustee, as irrevocable assignee and transferee of the Authority pursuant to the Facility Lease (but not Additional Payments), and (ii) all interest or other income from any authorized investment of any money in any fund or account established pursuant to the Trust Agreement or the Facility Lease (other than the Rebate Fund, if any).

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099, Attn: Call Notification Department, Fax (212) 855-7232, in accordance with the then current guidelines of the Securities and Exchange Commission, to such other addresses or such other securities depositories, or to no such depositories, as the Town may designate in a Written Request of the Town delivered to the Trustee.

"Site" means the improved real property described as such in the Site Lease and the Facility Lease, together with any real property subsequently added thereto.

"Site Lease" means that certain Site Lease, between the Town, as Site lessor, and the Authority, as Site lessee, dated as of August 1, 2013 pursuant to which the Town has granted a leasehold interest to the Authority in the Site.

"Standard & Poor's Corporation" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC company, and its successors and assigns, except that if such corporation is dissolved or liquidated or can no longer perform the functions of a securities rating agency, then the term Standard & Poor's Corporation shall be deemed to refer to any other nationally recognized securities rating agency selected by the Town.

"State" means the State of California.

"Supplemental Trust Agreement" means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority, the Town and the Trustee amendatory of or supplemental to the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

"Tax Certificate" means the "Certificate as to Arbitrage" delivered by the Town at the time of the execution and delivery of a series of Certificates, as the same may be amended or supplemented in accordance with its terms.

"Written Request of the Authority" means an instrument in writing signed by an Authorized Representative of the Authority.

"Written Request" of the Town means an instrument in writing signed by an Authorized Representative of the Town.

TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Trust Agreement.

Funds and Accounts

Initial and Continuing Fund Activity. Upon receipt of money in payment of the purchase price of the Certificates, the Trustee will set aside and deposit or transfer the money as follows:

(a) Reserve Account. First, the Trustee will deposit the Reserve Account Requirement in the Reserve Account. On or before each April 1 and October 1, the Trustee will transfer and deposit in the Reserve Account any balance remaining in the Revenue Fund after satisfying the requirements described below with respect to the Interest Account and the Principal Account to the extent needed to increase the balance in the Reserve Account to the Reserve Account Requirement then applicable shall be deposited in the Reserve Account. The Trustee will withdraw and use all money in the Reserve Account solely to replenish the Interest Account or the Principal Account, in that order, in the event of any deficiency at any time in either of such funds, except that so long as the Town is not then in default under the Facility Lease or the Trust Agreement, the Trustee will transfer and deposit any cash amounts remaining in the Reserve Account in excess of the Reserve Account Requirement as of April 15 of any year first in the Rebate Fund held by the Trustee to the extent required to satisfy any Rebate Requirement (as defined in the Tax Certificate), and then the Trustee will transfer any remaining balance to the Town for any legal purpose to be determined by the Town in its sole discretion.

(b) Delivery Costs Fund. Next, the Trustee will deposit costs of issuance in the Delivery Costs Fund, to be withdrawn by the Trustee at the Written Request of the Town to pay the Delivery Costs of the Certificates. Each Written Request must state the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. When six months have elapsed since the Closing Date, or earlier upon Written Request of the Town, any remaining balance in the Delivery Costs Fund will go to the Town for deposit in the Project Fund, and the Delivery Costs Fund shall be closed. Any invoices for Delivery Costs received by the Town after closure of the Delivery Costs Fund will be paid by the Town from the Project Fund or any other fund or account of the Town lawfully available for such purpose.

(c) Project Fund. After the Trustee has made the above deposits, the Trustee will transfer the balance to the Project Fund to be held by the Trustee until all costs and expenses related to the Project have been paid in full. The Town will requisition disbursements from the Project Fund and apply all amounts withdrawn to pay Project Costs and to expenses incident thereto (or to reimburse the Town or any other person for such costs otherwise paid).

Pledge of Revenues; Revenue Fund. The Town has covenanted in the Facility Lease to take all necessary action to include all Base Rental Payments and Additional Payments due under the Facility Lease in its annual budgets and to make necessary appropriations for all Base Rental Payments and Additional Payments. The Town acknowledges that the entitlement of the Authority to receive the Base Rental Payments has been irrevocably assigned and transferred to the Trustee and that the Base Rental Payments represent the primary intended source of Revenues for deposit into the Revenue Fund. All Revenues and any other amounts (including proceeds of the sale of the Certificates) received by the Trustee and deposited and held in any fund or account established and maintained by the Trustee under the Trust Agreement (other than amounts on deposit in the Rebate Fund) are irrevocably pledged to the payment of the interest and premium, if any, on and principal with respect to the Certificates, and the Revenues may not be used for any other purpose while any of the Certificates remain Outstanding except as permitted in the Trust Agreement. This pledge shall constitute a pledge of and charge and lien upon the Revenues subject to no prior pledge created by State law or contract, and all other money on deposit in the funds and accounts described above (excluding amounts on deposit in the Rebate Fund) are pledged to the payment of the interest and principal with respect to the Certificates. Whenever the Trustee receives funds representing Revenues (whether from the Town or any other source), the Trustee will deposit them in the Revenue Fund, which the Trustee agrees to maintain and hold while any Certificates remain Outstanding. All Revenues are to be accounted for through and held in trust in the Revenue Fund, and the Town will have no beneficial right or interest in any of the Revenues except only as provided in the Trust Agreement. All Revenues are to be accounted for separately and apart from all other accounts, funds, money or other resources of the Trustee and handled through Trustee-held accounts as follows:

(a) Interest Account. The Interest Account has first priority for the deposit of Revenues. On or before each April 1 and October 1, commencing on or before April 1, 2014, the Trustee will set aside from the Revenue Fund and deposit in the Interest Account that amount of money which, together with the balance on deposit therein (and available for such purposes), is equal to the amount of interest becoming due and payable with respect to all Outstanding Certificates on such April 1 or October 1, as applicable. No deposit need be made in the Interest Account if its balance is at least equal to and available for payment of the aggregate amount of interest becoming due and payable with respect to all Outstanding Certificates on the applicable Interest Payment Date. The Trustee will withdraw and use Interest Account money to pay interest with respect to the Certificates as it becomes due and payable (including accrued interest on any Certificates purchased or prepaid prior to maturity).

(b) Principal Account. The Principal Account has second priority to the Interest Account for the deposit of Revenues. On each April 1, commencing April 1, 2014, the Trustee will set aside from the Revenue Fund and deposit in the Principal Account that amount of money which, together with the balance on deposit therein (and available for such purposes), is equal to the principal amount with respect to all Outstanding Serial Certificates maturing on such April 1. No deposit need be made in the Principal Account if its balance is at least equal to and available for payment of the aggregate amount of the principal of all Outstanding Serial Certificates maturing by their terms on such April 1. The Trustee will withdraw and use all money in the Principal Account solely to pay the principal with respect to the Certificates as it shall become due and payable, whether at maturity or prepayment.

Other Fund Provisions. Amounts in the Revenue Fund, Principal Account, Interest Account and Reserve Account may be used by the Trustee to reimburse the Town for any rental paid under the Facility Lease for a period during which rent is abated and for which no other moneys are legally available. The Trust Agreement also provides for the handling of insurance proceeds and the investments of money in accounts and funds as follows:

(a) Insurance Proceeds. In the event of any damage to or destruction of or defect in title to any part of the Leased Facilities covered by insurance, the Town will cause any insurance proceeds to be used to repair, reconstruct or replace the affected part of the Leased Facilities to at least the same good order, repair and condition as was the case prior to the damage or destruction, to the extent possible with the amount of available proceeds, and toward that end the Trustee will receive and hold such proceeds in a special fund separate and apart from all other funds and will invest the proceeds in Permitted Investments pursuant to the Written Request of the Town. Withdrawals of proceeds and investment earnings in the special fund will occur from time to time upon the filing with the Trustee of a Written Request of the Town, stating that the Town has expended moneys or incurred liabilities in a stated amount for the purpose of the repair, reconstruction or replacement of the Leased Facilities, and specifying the items for which such moneys were expended, or such liabilities were incurred, in reasonable detail. The Town shall file a Written Request with the Trustee that sufficient funds from insurance proceeds or from any funds legally available to the Town, or from any combination thereof, are available in the event the Town elects to repair, reconstruct or replace the Leased Facilities. Any balance of such proceeds not required for such repair, reconstruction or replacement and the proceeds of use and occupancy insurance shall be treated and applied by the Trustee as Base Rental Payments. But if the proceeds of such insurance together with any other moneys legally available for such purpose are sufficient to prepay all Base Rental Payments, in case of damage or destruction in whole of the Leased Facilities, or prorated Base Rental Payments, in the case of partial damage or destruction of the Leased Facilities, then the Town may opt not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Facilities and instead cause the Trustee to apply the available funds for the prepayment of Outstanding Certificates. The Town's option does not apply in the case of partial damage or destruction of the Leased Facilities unless the Base Rental Payments on the undamaged portion of the Leased Facilities will be sufficient to pay the initially scheduled principal and interest with respect to the Certificates remaining unpaid after such partial prepayment.

(b) Investments. As a general rule, all Trustee-held funds are to be invested in Permitted Investments at the Written Request of the Town. In the absence of a Written Request of the Town, the Trustee will invest in the Permitted Investments described in clause (4) of the definition of "Permitted Investments" (see "Certain Defined Terms" above). As nearly as practicable, such investments are to mature on or before the dates on which funds are anticipated to be needed for disbursement; provided, however, that no Reserve Account investments may have a maturity of more than five years. All interest or profits received prior to the completion of the Leased Facilities on any money so invested will be transferred to the Town for deposit in the Project Fund, and all interest or profits received after such completion will be deposited first in the Reserve Account, to the extent necessary to make amounts on deposit in the Reserve Account equal to the Reserve Account Requirement then determined, with any excess to be transferred to the Town. The Trustee is not liable for any investment losses. The Trustee and its affiliates may act as sponsor, principal or agent with respect to the making of any Permitted Investments. The Trustee may commingle monies in funds and accounts for investment purposes. The Trustee will furnish the Town periodic cash transaction statements which include detail for all investment transactions made by the Trustee.

Certain Covenants

Project Completion. The Town will cause the Project to be acquired and constructed with all practicable dispatch, and such acquisition and construction will be made in an expeditious manner and in conformity with the law so as to complete the Project as soon as possible. Upon completion of the Project, the Town must deliver to the Trustee a Certificate of Completion, together with an Inspectors' Certificate stating the fact and date of such completion, stating that all costs of construction and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Project Fund is to be maintained in the full amount of such claims until such dispute is resolved). Together with delivery of the Certificate of Completion, the Town must transfer any remaining balance in the Project Fund and not needed for Project Fund purposes (such as retentions) to the Trustee for deposit first in the Reserve Account to the extent necessary to make the amount on deposit therein equal the Reserve Account Requirement then determined, with any remaining excess to be deposited in the Revenue Fund.

Punctuality. The Trustee will punctually pay from Revenues the interest, the principal of and prepayment premiums, if any, to become due with respect to every Certificate in strict conformity with the terms of the Trust Agreement and of the Certificates, and both the Trustee and the Town will faithfully observe and perform all the agreements and covenants to be observed or performed by the Trustee and the Town, respectively, contained in the Trust Agreement or in the Certificates.

Priority. No parity pledge of or any parity charge or lien on Revenues is permitted except as provided in the Trust Agreement, and the Trustee will not execute or deliver any certificates with respect to which payments from the Revenues are on parity with payments in respect of the Certificates or secured by a pledge of or charge or lien upon the Revenues other than with respect to the Certificates.

Rebate Fund. In addition to the other funds mandated by the Trust Agreement, the Trustee will establish and maintain the Rebate Fund separate and apart from any other fund or account. The Trustee will deposit amounts made available for the Rebate Fund, either by transfer of excess funds from the Reserve Account or funds from the Town, and from no other source. The Trustee will hold deposits in the Rebate Fund in trust to the extent required to satisfy the Rebate Requirement (as described in the Tax Certificate), for payment to the United States of America. The Rebate Fund is not to be funded from pledged Revenues, investment earnings on other Trustee-held funds or any proceeds of insurance or of remedies exercised in the case of default. The Trustee will administer the Rebate Fund under written directions of the Town and will have no liability or responsibility to enforce the Town's compliance with the terms of the Tax Certificate. When no Certificates remain Outstanding, the Trustee's fees and expenses have been paid or provided for and the Rebate Requirement has been satisfied, the Trustee will withdraw any remainder in the Rebate Fund and transfer it as the Town may direct.

Tax Compliance. The Town covenants to comply with the provisions and procedures of the Tax Certificate and to direct the Trustee to take any action that the Tax Certificate requires of the Trustee.

Records. The Town will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books will be available for inspection by the Trustee (who is has no duty to inspect), at reasonable hours and under reasonable conditions. Within 180 days after the close of each Fiscal Year, the Town will furnish or cause to be furnished to the Trustee a complete financial statement covering receipts, disbursements, allocation and application of Revenues for such Fiscal Year. The Town shall also keep or cause to be kept such other information as required under the Tax Certificate. The Trustee shall have no duty to review or examine such statements or other information.

Legal Proceedings. The Town will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the Revenues or to the extent involving the failure of the Town to fulfill its obligations under the Trust Agreement or the Facility Lease; provided that the Trustee or any affected Owner may opt to appear in and defend any such suit, action or proceeding. The Town will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Town, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions under the Trust Agreement or the Facility Lease, except for any loss, cost, damage or expense resulting from the negligence or willful misconduct by the Trustee. These covenants will remain in effect after no Certificates remain Outstanding.

Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Owner, the Town will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Trust Agreement.

Limitations on Amendments. The Town will not supplement, amend, modify or terminate any of the terms of the Facility Lease or the Site Lease, or consent to any such supplement, amendment, modification or termination, without the written consent of the Trustee. The Trustee shall give such written consent only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Owners or result in any material impairment of the security provided under the Trust Agreement for payments with respect to the Certificates, or (b) the Trustee first obtains the written consent of the Owners of a majority in principal amount of the Certificates then Outstanding to such supplement, amendment, modification or termination; provided, that no such supplement, amendment, modification or termination shall reduce the amount of Base Rental Payments to be made by the Town pursuant to the Facility Lease or extend the time for making such payments, or permit the creation of any lien prior to or on a parity with the lien created by the Trust Agreement on the Base Rental Payments, in each case without the written consent of all of the Owners of the Certificates then Outstanding.

Amendments. The Trust Agreement and the rights and obligations of the Town and of the Owners may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, excluding Certificates owned by or for the Town, are filed with the Trustee. No such amendment may (1) extend the maturity of or reduce the interest rate or amount of interest or principal or prepayment premium, if any, with respect to any Certificate without the express written consent of the Owner of such Certificate, or (2) permit the creation by the Town of any pledge of or charge or lien upon the Revenues superior to the pledge, charge and lien created by the Trust Agreement for the benefit of the Certificates, or (3) reduce the percentage of Certificates required for the written consent to any such amendment, or (4) modify any rights or obligations of the Trustee, the Authority or the Town without their prior written consent, respectively. The Owners need not approve any particular form of Supplemental Trust Agreement; their approval of the substance thereof will suffice.

The Trust Agreement and the rights and obligations of the Town and of the Owners may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Owners, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not materially adversely affect the interests of the Owners, including (without limitation) for any one or more of the following purposes –

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

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder which the Town may deem desirable or necessary and not inconsistent therewith; or

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

Promptly after the execution by the Town and the Trustee of any Supplemental Trust Agreement, the Trustee will mail a notice on behalf of the Town, setting forth in general terms the substance of such Supplemental Trust Agreement, to the Owners at the addresses shown on the registration books maintained by the Trustee. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement. Certificates owned or held by or for the account of the Town will not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates for purposes of amendments or supplements to the Trust Agreement. In any event, any Owner may accept any amendment as to the particular Certificates held by such Owner, provided that due notation thereof is made on such Certificates.

Events of Default and Remedies

Upon the Trustee's acquiring actual knowledge of the occurrence of an Event of Default (as defined in the Facility Lease), and in each and every such case during the continuance of such Event of Default, the Trustee will declare that an Event of Default has occurred and shall notify the Town of such occurrence within five Business Days of the Trustee's acquiring such actual knowledge. Forthwith upon making the declaration of an Event of Default and giving such notice, the Trustee may, in addition to all other rights and remedies it may have at law, exercise the remedies provided in the Facility Lease, which remedies the Authority hereby irrevocable assigns and transfers to the Trustee.

Application of Funds. All moneys held by the Trustee in the accounts and funds provided in the Trust Agreement as of the date of the Trustee's notice to the Town, all proceeds from the liquidation of any Permitted Investments held by the Trustee in such funds, and all Revenues (other than amounts on deposit in the Rebate Fund) thereafter received by the Trustee under the Trust Agreement will be applied by the Trustee in the following order—

First, to the payment of the fees, costs and expenses of the Trustee for the performance of its duties thereunder and in providing for the declaration of such Event of Default, including reasonable compensation to its accountants and counsel together with interest on any amounts advanced and then to the payment of related costs and expenses of the Owners, if any, including reasonable compensation to their accountants and counsel; and

Second, upon presentation of Certificates for which the principal amount thereof is then due and owing, to the payment of the whole amount then due and owing and unpaid with respect to such Certificates for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate accrued with respect to such Certificates, and in case such money is not sufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such interest first, the payment of such principal second and (to the extent permitted by law) to the payment of interest on overdue interest and principal third, without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

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

Non-Waiver. Nothing will affect or impair the obligation of the Trustee, which is absolute and unconditional, to pay the interest, principal and prepayment premiums, if any, with respect to the Certificates to the respective Owners of the Certificates at the respective dates of maturity or upon prior prepayment as provided in the Trust Agreement from the Revenues pledged for such payment, or will affect or impair the right of such Owners, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Trust Agreement and evidenced by the Certificates. A waiver of any default or breach of duty or contract by the Trustee or any Owner will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or any Owner to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or be construed as a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Owners under the Trust Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners. If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the Trustee and any Owner will be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Trustee as Attorney-in-Fact. Any action, proceeding or suit which any Owner has the right to bring to enforce any right or remedy under the Trust Agreement may be brought by the Trustee for the equal benefit and protection of all Owners, whether or not the Trustee is an Owner, and the Trustee is appointed (and the successive Owners, by taking and holding the Certificates delivered thereunder, will be conclusively deemed to have appointed it) the attorney-in-fact of the Owners for bringing any such action, proceeding or suit and for doing and performing anything for and on behalf of the Owners as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact.

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

Limitation on Owner's Right To Sue. No Owner of any Certificate delivered under the Trust Agreement will have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust Agreement, unless (a) such Owner has given the Trustee written notice of the occurrence of an Event of Default under the Facility Lease; (b) the Owners of at least a majority in aggregate principal amount of all the Certificates then Outstanding have made written request upon the Trustee to exercise the powers granted in the Trust Agreement or to institute such suit, action or proceeding in its own name; (c) said Owners have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or failed to comply with such request within 60 days after the Trustee has received the request and tender of indemnity. Such notification, request, tender of indemnity and refusal or omission are conditions precedent to the exercise by any Owner of the Certificates of any remedy under the Trust Agreement, and no one or more Owners of the Certificates will have any right to enforce any provision of the Trust Agreement, except as provided therein, and all proceedings at law or in equity to enforce any provision of the Trust Agreement will be instituted, had and maintained as provided in the Trust Agreement and for the equal benefit of all Owners of the Outstanding Certificates.

Discharge and Defeasance

Discharge. If the Trustee pays or causes payment, or payment otherwise is made, to the Owners of all Outstanding Certificates the interest, principal and prepayment premiums, if any, with respect thereto at the times and in the manner stipulated in the Trust Agreement, then the Owners of such Certificates will cease to be entitled to the pledge of and charge and lien upon the Revenues as provided therein, and all agreements, covenants and other obligations of the Trustee to the Owners of such

Certificates thereunder will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will execute and deliver to the Town all instruments necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay or deliver to the Town all money or securities held by it pursuant to the Trust Agreement that are not required for the payment of the interest, principal and prepayment premiums, if any, with respect to such Certificates.

Defeasance. Prior to maturity or prepayment, any Outstanding Certificate will be deemed to have been paid and discharged as described in the preceding paragraph if (1) in case such Certificate is to be prepaid prior to maturity, the Town has given the Trustee irrevocable instructions to provide notice of prepayment under the Trust Agreement or an applicable Supplemental Trust Agreement, (2) there has been deposited with the Trustee (A) money sufficient and/or (B) Authorized Defeasance Securities, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, are sufficient, in the opinion of an Independent Financial Advisor, to pay when due the interest to become due with respect to such Certificate on and prior maturity or prepayment, as the case may be, and the principal and prepayment premium, if any, with respect to such Certificate, and (3) in the event such Certificate is not subject to prepayment within the next 60 days, the Town has given the Trustee irrevocable instructions to mail as soon as practicable, a notice to the Owner of such Certificate that the deposit required by clause (2) above has been made and that such Certificate is deemed to have been paid and stating the maturity date or prepayment when money is to be available for the payment of the principal and prepayment premiums, if any, with respect to such Certificate. To accomplish defeasance the Town will cause to be delivered (i) a report of an independent firm of a nationally recognized Independent Financial Advisor, verifying the sufficiency of the escrow established to pay the Certificate in full on the prepayment date (the "Verification"), (ii) an Escrow Deposit Agreement and (iii) an Opinion of Counsel to the effect that such Certificates are no longer Outstanding under the Trust Agreement.

Unclaimed Money. Any money held by the Trustee in trust for the payment and discharge of any Certificate or interest with respect thereto which remains unclaimed for two years after the date when such Certificate or interest with respect thereto has become due and payable, either at maturity or by call for prepayment, if such money was then held by the Trustee, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Certificate has become due and payable, will be paid by the Trustee to the Town as its absolute property free from trust, and the Trustee will then be released and discharged with respect thereto, and the Owner may not look to the Trustee for any payment with respect to such Certificate; provided, however, that before being required to make any such payment to the Town, the Trustee may, and at the request of the Town will, at the expense of the Town, cause to be published once a week for two successive weeks in a Financial Newspaper of general circulation in Los Angeles and in San Francisco, California, and in the same or a similar Financial Newspaper of general circulation in New York, New York, a notice that such money remains unclaimed and that, after a date specified in such notice, not be less than 30 days after the date of the first publication of each such notice, the balance then unclaimed will be remitted to the Town.

FACILITY LEASE

The following is a summary of certain provisions of the Facility Lease. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Facility Lease.

Base Rental Payments. Subject to a credit for any balance in the Interest Account, the Town agrees to pay directly to the Trustee, as the irrevocable assignee and transferee of the Authority, Base Rental Payments for the use and occupancy of the Leased Facilities (subject to abatement and other provisions of the Facility Lease), semiannually on each March 15 and September 15 in accordance with the Base Rental Payment Schedule. The Town acknowledges that the Base Rental Payments represent the reasonably estimated and anticipated fair rental value of the Leased Facilities, as improved by the Project, as the same is expected to increase during the term of the Facility Lease. Base Rental Payments are calculated on an annual basis, for each 12-month period commencing April 2 and ending the following April 1, except that the rental payment due and payable April 1, 2014, will be for the period commencing on the closing date. Each annual payment of Base Rental shall be for the use of the Leased Facilities for the 12-month period commencing April 2 in the period for which such installments are payable.

Additional Payments. The Town will also make Additional Payments as required for all costs and expenses incurred for the execution, performance or enforcement of the Facility Lease and the Trust Agreement, its interest in the Leased Facilities and the lease of the Leased Facilities to the Town, including but not limited to payment of all fees, costs and expenses and all administrative costs related to the Leased Facilities, including, without limiting the generality of the foregoing, salaries and wages of employees, all expenses, compensation and indemnification of the Trustee pursuant to the Trust Agreement, fees of auditors, accountants, attorneys or architects, and all other necessary administrative costs or charges required to be paid by the Town in order to maintain its existence or to comply with the terms of the Facility Lease or the Trust Agreement, but excluding from "Additional Payments" the amounts required to pay the principal, interest and prepayment premiums, if any, with respect to the Certificates.

No Offsets; Triple-Net Lease. The Town must make all rental payments when due without deduction or offset of any kind and not withhold any rental payments pending resolution of any dispute. If the Town is determined not to be liable for any rental payment or portion thereof, the applicable amount will be credited against subsequent rental payments or refunded to the Town at the time of such determination. The Facility Lease is a "net-net-net lease", and the Town agrees that the rentals provided for therein will be an absolute net return to the Trustee, free and clear of any expenses, charges or set-offs whatsoever, except as provided therein.

Appropriations. The Town covenants to take such action as may be necessary to include all such Base Rental Payments and Additional Payments due hereunder in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments. The Town will deliver to the Trustee copies of the portion of each annual Town budget relating to the payment of Base Rental Payments and Additional Payments within thirty (30) days after the adoption thereof in each year. The covenants on the part of the Town shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the Town to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Town to carry out and perform the covenants and agreements in this Lease agreed to be carried out and performed by the Town.

Abatement of Base Rental Payments. The Base Rental Payments shall also be abated proportionately, during any period in which by reason of any damage or destruction or other event (other than by condemnation which is hereinafter provided for) there is substantial interference with the use and occupancy of the Leased Facilities by the Town, in such amount as will be agreed upon by the Town and the Authority such that the resulting Base Rental Payments represent fair consideration for the use and occupancy of the portions of the Leased Facilities not damaged, destroyed or unavailable. Such abatement shall continue for the period commencing with such damage or destruction or unavailability and ending with the substantial completion of the work of repair or reconstruction, or resumption of availability. In the event of any such damage, destruction or other event, this Lease shall continue in full force and effect, and the Town waives any right to terminate this Lease by virtue of any such damage or destruction. Notwithstanding the foregoing, there will be no abatement of Base Rental Payments to the extent that the proceeds of an eminent domain or insurance award (including proceeds of rental interruption insurance maintained by the Town under the Facility Lease) are available to pay Base Rental Payments, or to the extent that moneys are available in the Lease Payment Fund or the Reserve Fund, it being declared in the Facility Lease that such proceeds and amounts constitute special funds for the payment of the Base Rental Payments.

Insurance

Property Insurance. Except to the extent the Town self-insures as described below, throughout the term of the Facility Lease the Town will procure or arrange for and maintain insurance against loss or damage to any structures that are part of the Leased Facilities due to fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance, excluding earthquake insurance unless the Town determines that such insurance is reasonably available at reasonable cost in the commercial market from reputable insurance companies. To the extent it is practical, the extended coverage insurance will cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and other hazards normally covered by such insurance. Coverage must be sufficient to pay the replacement cost (without deduction for depreciation) of all structures that are part of the Leased Facilities, excluding excavations, grading and filling, or land, subject to deductibles or retentions up to $250,000, or as an alternative, sufficient (together with moneys in the Reserve Account and available for the purpose), in the event of total or partial loss, to enable all Certificates then Outstanding to be prepaid. Any insurance other than self-insurance must be provided by an insurer rated "A" or better by A.M. Best Corporation and shall name the Authority and the Trustee as loss payees as to their respective interests in the Leased Facilities.

Use of Insurance Proceeds. In the event of any damage to or destruction of any part of the Leased Facilities caused by the perils covered by the insurance described in the preceding paragraph, the Town will cause the proceeds of such insurance to be used for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Facilities, and the Town will hold said proceeds separate and apart from all other funds, in a special fund called the "Insurance and Condemnation Fund" to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Leased Facilities to at least the same good order, repair and condition as prevailed prior to the damage or destruction, to the extent that may be accomplished by the use of said proceeds. Whenever the Town spends money in the Insurance and Condemnation Fund, the Town will provide the Trustee with a Certificate of the Town to the effect that the Town has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid for the purpose of repair, reconstruction or replacement, and specifying the items for which such moneys were expended, or such liabilities were incurred. Any balance of said proceeds not required for such repair, reconstruction or replacement shall be treated by the Trustee as Base Rental Payments and applied to the purchase or prepayment of Certificates. Alternatively, but only if the proceeds of such insurance and any amounts transferred from the Reserve Account together with any other moneys then available for the purpose are at least sufficient to prepay an aggregate principal amount of Outstanding Certificates equal to the amount of Outstanding Certificates attributable to the portion of the Leased Facilities so destroyed or damaged (determined by reference to the proportion which the acquisition, design and construction cost of such portion of the Leased Facilities bears to the acquisition, design and construction cost of the Leased Facilities), the Town may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Facilities and thereupon shall cause said proceeds to be used for the prepayment of Outstanding Certificates pursuant to the provisions of the Trust Agreement. The Town will apply promptly for Federal disaster aid or State disaster aid in the event that the Leased Facilities are damaged or destroyed as a result of an earthquake (or other declared disaster for which such aid is available). Any proceeds received as a result of such disaster aid shall be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Leased Facilities, or, at the option of the Town, to fund the prepayment of Outstanding Certificates to the extent that permitted for such aid.

Rental Interruption Insurance. The Town must procure or cause to be procured and maintain or cause to be maintained throughout the term of the Facility Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Leased Facilities as the result of any of the hazards covered by the casualty insurance requirements described above, in an amount sufficient to pay the part of the total rent under the Facility Lease attributable to the portion of the Leased Facilities rendered unusable (determined by reference to the proportion which the acquisition, design and construction cost of such portion bears to the acquisition, design and construction cost of the Leased Facilities) for a period of at least two years, a deductible clause of not more than $5,000. Any proceeds of such insurance and any amounts transferred from the Reserve Account will be used by the Trustee to reimburse to the Town any rental theretofore paid by the Town under the Facility Lease attributable to such structure for a period of time during which the payment of rental under the Facility Lease is abated, and any proceeds of such insurance not so used shall be applied to the extent required for the payment of Base Rental Payments and Additional Payments).

Liability Insurance. Except to the extent the Town self-insures as described below, the Town will procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facility Lease, a standard comprehensive general liability insurance policy or policies in protection of the Authority, the Trustee and their respective members, directors, officers, agents and employees, indemnifying said persons against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Leased Facilities, with minimum liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of three hundred thousand dollars $300,000, subject to a deductible clause of not to exceed $10,000, for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the Town.

Self-Insurance. As an alternative to procuring all or part of the casualty or liability insurance described above, the Town may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection provides reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the Town. Before such other method or plan may be provided by the Town, and annually thereafter so long as such method or plan is being provided to satisfy the requirements of the Facility Lease, the Town will arrange for filing with the Trustee a certificate of an actuary, insurance consultant or other qualified person, stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with these requirements, when effective, would afford reasonable coverage for the risks required to be insured against. The Town must also file with the Trustee a Certificate of the Town setting forth the details of such substitute method or plan. In the event of loss covered by any such self-insurance method, the liability of the Town will be limited to the amounts in the self-insurance reserve fund or funds created under such method.

Other Insurance. The Town must maintain worker's compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Worker's Compensation Insurance and Safety Act now in force in the State, or any amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the Town, including self-insurance. Upon execution and delivery of the Facility Lease, the Town will obtain title insurance on the Leased Facilities in the form of a CLTA title policy, including both leaseholder's and owner's coverage, in an amount equal to the aggregate principal amount of the Certificates, issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances, naming the Trustee as an additional insured thereunder.

Insurance Administration. All policies of casualty and rental interruption insurance described above must be provided by an insurer rated "A" or better by A.M. Best Corporation and provide that all proceeds will be payable to the Trustee pursuant to a lender's loss payable endorsement. The Trustee will collect, adjust and receive all moneys which may become due and payable under any such policies, may compromise any and all claims thereunder and will apply the proceeds of such insurance as described above. All policies of insurance required by the Facility Lease must provide that the Trustee will be given 30 days' prior notice of each expiration thereof or any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee is not responsible for the sufficiency of any insurance required under the Facility Lease and will be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee. The Town must pay when due the premiums for all insurance policies required under the Facility Lease and annually deliver to the Trustee a Certificate of the Town setting forth and stating that the insurance then in force satisfies the requirements of the Facility Lease and any required supporting documentation.

Indemnification. To the full extent then permitted by law, the Town will indemnify, protect, hold harmless, save and keep harmless the Authority and its directors, officers and employees and the Trustee and its directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of the Site Lease or the Facility Lease, the acquisition, construction, installation and use of the Project and each portion thereof or any accident in connection with the operation, use, condition or possession of the Project or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the Town or the Authority; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. The foregoing indemnification shall not apply to any damages or other liability caused by the sole negligence or willful misconduct of the Authority or Trustee, and their agents. This indemnification will continue in full force and effect notwithstanding the full payment of all obligations under the Facility Lease or its termination. The Town must not to withhold or abate any portion of the payments required under this indemnification by reason of any defects, malfunctions, breakdowns or infirmities of the Project.

Defaults and Remedies

Payment or Performance Defaults. If the Town fails to pay any rental payable on the March 15 or September 15 when due and payable, or the Town fails for a period of 30 days (or for such additional time as the Trustee may consider to be reasonably required) after notice from the Trustee to keep, observe or perform any other term, covenant or condition of the Facility Lease to be kept or performed by the Town, to correct the same, or upon the happening of any of the events described below (any such case being an “Event of Default”), the Town will be in default under the Facility Lease, and the Trustee as irrevocable assignee and transferee of the Authority may lawfully exercise any and all remedies available pursuant to law or granted pursuant to the Facility Lease. Upon any such default, the Trustee, in addition to all other rights and remedies it may have at law, may opt to do any of the following:

Terminate and Remove. The Trustee may terminate the Facility Lease on account of default by the Town, notwithstanding any re-entry or re-letting of the Leased Facilities as described below, and re-enter the Leased Facilities and remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Facilities. In the event of such termination, the Town must immediately surrender possession of the Leased Facilities and to pay the Trustee all damages that the Trustee may incur by reason of default by the Town, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Leased Facilities and removal and storage of property. Neither notice to pay rent or to deliver up possession of the Leased Facilities given pursuant to law nor any entry or re-entry by the Trustee nor any proceeding in unlawful detainer, or otherwise, brought by the Trustee for the purpose of effecting such re-entry or obtaining possession of the Leased Facilities nor the appointment of a receiver upon initiative of the Trustee to protect the Trustee’s interest under the Facility Lease will operate to terminate the Facility Lease, and no termination of the Facility Lease on account of default by the Town will be or become effective by operation of law or acts of the parties thereto, or otherwise, unless and until the Trustee has given written notice to the Town of the Trustee’s election to terminate the Facility Lease. No surrender of the Leased Facilities or of the remainder of the term of the Facility Lease or any termination thereof will be valid unless stated or accepted by the Trustee in its written notice.

Collect or Re-Enter. Without terminating the Facility Lease, (1) collect each installment of rent as it becomes due and enforce any other terms or provisions of the Facility Lease to be kept or performed by the Town, whether or not the Town has abandoned the Leased Facilities, or (2) exercise any and all rights of re-entry upon the Leased Facilities. In the event the Trustee does not opt to terminate The Facility Lease as described above, the Town will remain liable and must keep or perform all covenants and conditions to be kept or performed by the Town under the Facility Lease. If the Leased Facilities are not re-let, the Town must pay the full amount of the rent to the end of the term of the Facility Lease. If the Leased Facilities are re-let, the Town must pay any resulting deficiency in rent. In either case, the Town must pay the rent and/or rent deficiency punctually at the same time and in the same manner as otherwise provided for the payment of rent under the Facility Lease (without acceleration), without regard to any excess amounts received or to be received by the Trustee or any entry or re-entry by the Trustee or suit in unlawful detainer, or otherwise, brought by the Trustee for the purpose of effecting such entry or re-entry or obtaining possession of the Leased Facilities. If the Trustee enters or re-enters, the Town irrevocably appoints the Trustee as the agent and attorney-in-fact of the Town to re-let the Leased Facilities, or any part thereof, from time to time, either in the Trustee's name or otherwise, upon such terms and conditions and for such use and period as the Trustee may deem advisable, and to remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Facilities and to place such personal property in storage, for the account of and at the expense of the Town. Further, the Town exempts and will save harmless the Trustee from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Leased Facilities and removal and storage of such property by the Trustee or its duly authorized agents. The Town further waives the right to any rental obtained by the Trustee in excess of the rental required to be paid by the Town under the Facility Lease, which the Trustee will retain as compensation for its services in re-letting the Leased Facilities or any part thereof. The Town further agrees to pay the Trustee the cost of any alterations or additions to the Leased Facilities necessary to place the Leased Facilities in condition for re-letting immediately upon notice to the Town of the completion and installation of such additions or alterations. The Town also waives any and all claims for damages caused or which may be caused by the Trustee in re-entering and taking possession of the Leased Facilities and all claims for damages that may result from the destruction of the Leased Facilities and all claims for damages to or loss of any property belonging to the Town, or any other person, that may be in or upon the Leased Facilities.

Other Defaults. The Town will be in default under the Facility Lease if (1) the Town's interest in the Facility Lease or any part thereof is assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Trustee, or (2) the Town or any assignee files any petition or institutes any proceeding under any act or acts, State or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the Town asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the Town's debts or obligations, or offers to the Town's creditors to effect a composition or extension of time to pay the Town's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the Town's debts, or for any other similar relief, or if any such petition or similar proceedings are filed, instituted or taken against the Town, or if a receiver of the business or of the property or assets of the Town is appointed by any court, except a receiver appointed at the instance or request of the Trustee, or if the Town makes a general or any assignment for the benefit of the Town's creditors, or if (3) the Town abandons or vacates the Leased Facilities.

Actions by the Trustee. In the case of default by the Trustee with regard to default and remedy provisions of the Facility Lease, the Town may pursue any remedy provided by law, but in no case will the Trustee be in default in the performance of any of its obligations under the Facility Lease or imposed by any statute or rule of law unless and until the Trustee has failed to perform such obligations within 30 days or such additional time as is reasonably required to correct any such default after notice by the Town to the Trustee properly specifying any failure of the Trustee to perform any such obligation. In addition to the Trustee's other remedies, the Trustee may proceed to protect and enforce the rights vested in the Trustee by the Facility Lease or by law. The provisions of the Facility Lease and the duties of the Town and of its officers or employees will be enforceable by the Trustee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Trustee shall have the right to bring the following actions:

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

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

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

Each of the Trustee's remedies is cumulative. The single or partial exercise of any right, power or privilege will not impair the Trustee's right to other or further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as described above includes and is not limited to re-letting by means of the operation by the Trustee of the Leased Facilities. If any statute or rule of law validly limits the remedies given to the Trustee under the Facility Lease, the Trustee will still be entitled to whatever remedies are allowable under any statute or rule of law. If the Trustee prevails in any action brought to enforce any of the terms and provisions of the Facility Lease, the Town must pay a reasonable amount as and for attorney's fees incurred by the Trustee in attempting to enforce any of the remedies available to the Trustee, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment. Failure by the Trustee to take advantage of any default on the part of the Town will not be, or be construed as, a waiver thereof, nor will any custom or practice between the parties in the course of administering the Facility Lease be construed to waive or to lessen the right of the Trustee to insist upon performance by the Town of any term, covenant or condition of the Facility Lease or to exercise any rights given the Trustee on account of such default. A waiver of a particular default is not a waiver of the same or any subsequent default. The acceptance of rent is not a waiver of any term, covenant or condition of the Facility Lease.

Eminent Domain, Prepayment and Purchase Option

Eminent Domain. If the whole of the Leased Facilities or so much thereof as to render the remainder unusable for the purposes previously used by the Town is taken under the power or threat of eminent domain, the term of the Facility Lease will cease as of the day that possession is taken. If less than the whole of the Leased Facilities is taken under the power or threat of eminent domain and the remainder is usable for the purposes previously used by the Town at the time of such taking, then the Facility Lease will continue in full force and effect as to the usable remainder, and there will be a partial abatement of the rental due under the Facility Lease in an amount equivalent to the amount by which the annual payments of principal of and interest with respect to the Certificates then Outstanding will be reduced by the application of the award in eminent domain to the prepayment of Outstanding Certificates. So long as any of the Certificates shall be Outstanding, any award made in eminent domain proceedings or compensation paid under threat thereof for taking the Leased Facilities or any portion thereof will be paid to the Trustee and applied to the prepayment of the Base Rental Payments as described below. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, will be paid to or retained by the Town.

Prepayment. The Town must prepay rent under the Facility Lease from insurance and eminent domain proceeds (except when partial damage or destruction of the Leased Facilities results in the collection of insurance proceeds the Town considers to be sufficient to repair, reconstruct or replace the damaged or destroyed portion of the Leased Facilities, in which case such proceeds will be held by the Trustee and used to repair, reconstruct or replace the damaged or destroyed portion of the Leased Facilities), all or any part (in an integral multiple of $5,000) of Base Rental Payments then unpaid so that the aggregate annual amounts of Base Rental Payments which remaining payable after such prepayment date will be as nearly proportional as practicable to the aggregate annual amounts of Base Rental Payments unpaid prior to the prepayment date, at a prepayment amount equal to the principal of and interest with respect to the Certificates to the date of prepayment, plus any applicable premium. The Town may prepay, from any source of available funds, all or any portion of Base Rental Payments by depositing with the Trustee moneys or securities as provided in the defeasance provisions of the Trust Agreement (see "Trust Agreement – Defeasance") sufficient to make such Base Rental Payments when due; provided that the Town furnishes the Trustee with an Opinion of Counsel that such deposit will not cause interest with respect to the Certificates to be includable in gross income for federal income tax purposes. The Town agrees that if following such prepayment the Leased Facilities are damaged or destroyed or taken by eminent domain, it is not entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments, and the Town will not be entitled to any reimbursement of such Base Rental Payments. The obligations of the Town under the Facility Lease will cease, terminate, become void and be completely discharged and satisfied (except for the right and the obligation to have such moneys and such Permitted Investments applied to the payment or prepayment of the Base Rental Payments or option price), and the Authority's interest in and title to the Leased Facilities or applicable portion or item thereof shall be transferred and conveyed to the Town when both of the following conditions have occurred: (1) there have been deposited with the Trustee at or prior to the due dates of the Base Rental Payments or date when the Town may exercise its option to purchase the Leased Facilities or any portion or item thereof, in trust for the benefit of the Owners of the Certificates and irrevocably appropriated and set aside to the payment of the Base Rental Payments or option price, sufficient moneys and qualified defeasance securities sufficient to pay all principal of and interest with respect to the Certificates to the due date of the Certificates or date when the Town may exercise its option to purchase the Leased Facilities, as the case may be; and (2) an agreement is made with the Trustee for the payment of its fees and expenses so long as any of the Certificates remain unpaid. In such event, the Trustee shall cause an accounting for such period or periods as may be requested by the Town to be prepared and filed to evidence such discharge and satisfaction, and the Trustee shall pay the Town as an overpayment of Base Rental Payments all such moneys or Permitted Investments held by it pursuant to the Facility Lease (other than moneys and Permitted Investments required for the payment or prepayment of the Base Rental Payments or the option price and the fees and expenses of the Trustee, which will continue to be held by the Trustee in trust and applied for such purposes).

<u>Purchase Option</u>. The Town has the option to purchase the Authority's interest in any part of the Leased Facilities upon payment of an option price consisting of moneys or qualified defeasance securities sufficient (together with the earnings and interest on such securities) to provide funds to pay the aggregate amount for the entire remaining term of the Facility Lease of the part of the total rent attributable to that part of the Leased Facilities (determined by reference to the proportion which the acquisition, design and construction cost of such part of the Leased Facilities bears to the acquisition, design and construction cost of all of the Leased Facilities). The Town will make any such payment to the Trustee as rental payments and will be applied by the Trustee to pay the principal of and interest with respect to the Certificates and to prepay Certificates if such Certificates are subject to prepayment pursuant to the terms of the Trust Agreement. Upon the making of such payment to the Trustee, the Base Rental Payments thereafter payable under the Facility Lease will be reduced by the amount thereof attributable to such part of the Leased Facilities and theretofore paid, the abatement and insurance provisions of the Facility Lease will not thereafter apply to such part of the Leased Facilities, and title to such part of the Leased Facilities will vest in the Town and the term of the Facility Lease will end as to such part of the Leased Facilities.

<u>Personal Property</u>. At its discretion, the Town may sell or exchange any personal property that is a part of the Leased Facilities and release it from the Facility Lease, if the Town finds the property sold or exchanged is no longer required or useful in connection with the operation of the Leased Facilities, the consideration to be received from sale or exchange of the property is of a value substantially equal to the value of the property to be released and, if the Town values such property in excess of $50,000, the Town obtains a certificate of an independent engineer or other qualified independent professional consultant certifying the value thereof and further certifying that such property is no longer required or useful in connection with the operation of the Leased Facilities. In the event of any such sale, the full amount of the money or consideration received for the personal property so sold and released will be paid to the Trustee. As long as the Town is not in default under any of the provisions of the Facility Lease, the Trustee will disburse funds its receives upon the Written Request of the Town to purchase personal property that will become part of the Leased Facilities. The Trustee may require opinions, certificates and other documents it considers necessary before permitting any sale or exchange of personal property subject to the Facility Lease or before releasing for the purchase of new personal property money received by the Trustee for personal property sold.

Certain Covenants of the Town

Right of Entry. The Trustee has the right but not the duty to enter, examine and inspect the Leased Facilities at any time during an emergency and otherwise during reasonable business hours in connection with the Town's rights or obligations under the Facility Lease and for all other lawful purposes.

Liens. If Town causes any changes, alterations, additions, improvements or other work to be done or performed or materials to be supplied, in or upon the Leased Facilities, the Town will pay, when due, all amounts due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the Town in, upon or about the Leased Facilities and will keep the Leased Facilities free of any and all mechanics' or materialmens' liens or other liens against the Leased Facilities, except any Permitted Encumbrances. If any such lien attaches to or is filed against the Leased Facilities or the Trustee's interest therein, the Town will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, but the Town in good faith may contest any such lien. If any such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the Town will forthwith pay and discharge said judgment. To the extent permitted by law, the Town will indemnify and hold the Authority and the Trustee and their respective members, directors, agents, successors and assigns, harmless from and against, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorney's fees) as a result of any such lien or claim of lien against the Leased Facilities or the Trustee's interest therein.

Taxes. The Town will pay or cause to be paid all taxes and assessments affecting the Leased Facilities or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Town will be obligated to pay only such installments as are required to be paid during the term of the Facility Lease as and when the same become due. The Town will also pay directly such amounts, if any, in each year as shall be required by for the payment of all license and registration fees and all taxes (including, without limitation, income, excise, license, franchise, capital stock, recording, sales, use, value-added, property, occupational, excess profits and stamp taxes), levies, imposts, duties, charges, withholdings, assessments and governmental charges of any nature whatsoever, together with any additions to tax, penalties, fines or interest thereon, including, without limitation, penalties, fines or interest arising out of any delay or failure by the Town to pay any of the foregoing or failure to file or furnish for filing in a timely manner any returns, levied or imposed against the Authority, the Trustee or the Leased Facilities, the rentals and other payments required under the Facility Lease or any parts thereof or interests of the Town or the Authority or the Trustee therein by any governmental authority. At the Town's expense and in its name, the Town may in good faith contest any taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Trustee notifies the Town that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority or the Trustee in the Leased Facilities would be materially endangered or the Leased Facilities, or any part thereof, would be subject to loss or forfeiture, in which event the Town will promptly pay such taxes, assessments or charges or provide the Trustee with full security against any loss which may result from nonpayment, in form satisfactory to the Trustee.

Title, Assignment and Subleasing. During the term of the Facility Lease, the Town will hold fee title to the Site, subject to the Permitted Encumbrances and except for any items added to the Leased Facilities by the Town as described above. Subject to Permitted Encumbrances, and only if the Permitted Encumbrances do not affect the tax-exempt status of interest with respect to the Certificates, neither the Facility Lease nor any interest of the Town thereunder may be mortgaged, pledged, assigned, sublet or transferred by the Town by voluntary act or by operation of law or otherwise. The Permitted Encumbrances do not reduce the obligation of the Town to make the Base Rental Payments and Additional Payments.

APPENDIX B

TOWN OF MORAGA GENERAL DEMOGRAPHIC INFORMATION

THE TOWN OF MORAGA AND CONTRA COSTA COUNTY

General

The Town of Moraga (the "**Town**") is located in Contra Costa County, approximately 22 miles east of San Francisco.encompasses an area of approximately 9.5 square miles and has a population of approximately 16,000. The Town is predominantly residential in nature with clusters of community-serving retail and commercial spaces. The Town is home to Saint Mary's College, a prestigious private Catholic university of about 2,000 graduate and undergraduate students. The local, public Campolindo High School has been recognized with a national ranking of 125 and a state ranking of 20 as one of 500 schools nationwide awarded a gold medal by U.S. News and World Report in its 2013 list of the nation's best public high schools. Residents further enjoy award winning schools at the lower levels as well.

Population

Population figures for the Town, the County and the State for the last five years are shown in the following table.

TOWN OF MORAGA
Population Estimates

Year	Town of Moraga	County of Contra Costa	State of California
2009	15,929	1,038,390	30,526,566
2010	16,019	1,047,948	30,747,555
2011	16,076	1,056,306	37,427,946
2012	16,168	1,066,602	37,668,804
2013	16,238	1,074,702	37,966,471

Source: State Department of Finance estimates (as of January 1)

Employment and Industry

The Town residents have convenient access to diverse employment options throughout the San Francisco Bay Area. A portion of that region is included in the Oakland-Fremont-Hayward Metropolitan District. The unemployment rate in the Oakland-Fremont-Hayward Metropolitan District was 6.7% in May 2013, down from a revised 7.0% in April 2013, and below the year-ago estimate of 8.9%. This compares with an unadjusted unemployment rate of 8.1% for California and 7.3% for the nation during the same period. The unemployment rate was 6.8% in Alameda County, and 6.7% in Contra Costa County

The following table summarizes the annual average civilian labor force, employment and unemployment in the Contra Costa and Alameda counties for the calendar years 2008 through 2012.

OAKLAND-FREMONT-HAYWARD METROPOLITAN DISTRICT
(CONTRA COSTA AND ALAMEDA COUNTIES)
Civilian Labor Force, Employment and Unemployment
(Annual Averages)

	2008	2009	2010	2011	2012
Civilian Labor Force (1)	1,282,100	1,285,800	1,284,600	1,285,000	1,299,200
Employment	1,203,000	1,152,700	1,140,600	1,151,600	1,181,500
Unemployment	79,100	133,100	143,900	133,400	117,800
Unemployment Rate	6.2%	10.4%	11.2%	10.4%	9.1%
Wage and Salary Employment: (2)					
Agriculture	1,400	1,400	1,400	1,600	1,600
Mining and Logging	1,200	1,200	1,200	1,200	1,200
Construction	64,900	53,500	47,400	46,300	48,500
Manufacturing	93,100	82,800	79,700	79,000	77,600
Wholesale Trade	47,600	43,700	41,800	42,000	43,800
Retail Trade	109,400	102,100	100,300	100,300	101,500
Transportation, Warehousing, Utilities	35,900	33,200	31,500	31,600	32,200
Information	27,800	25,300	23,600	22,700	22,900
Finance and Insurance	36,200	32,500	33,000	32,600	31,600
Real Estate and Rental and Leasing	16,500	15,500	15,200	14,700	14,200
Professional and Business Services	162,400	148,700	152,100	154,200	158,200
Educational and Health Services	133,000	137,200	136,400	137,500	143,300
Leisure and Hospitality	89,100	85,100	85,800	87,300	88,600
Other Services	36,100	34,700	35,000	35,900	36,700
Federal Government	17,100	16,700	15,700	14,600	14,200
State Government	39,100	39,000	38,100	38,400	39,100
Local Government	121,100	116,900	111,500	109,500	109,200
Total, All Industries (3)	1,031,800	969,400	949,700	949,300	964,400

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.

Source: Labor Division of the California State Employment Development Department.

Major Employers

The following table lists the major employers within the County:

COUNTY OF CONTRA COSTA
Major Employers- Listed Alphabetically
(As of January 2013)

Employer Name	Location	Industry
BART	Richmond	Transit Lines
Bayer Health Care Phrmctcls	Richmond	Laboratories-Pharmaceutical (Mfrs)
Bio-Rad Laboratories Inc	Hercules	Biological Products (Mfrs)
California State Auto Assn	Walnut Creek	Automobile Clubs
Chevron Corp	San Ramon	Oil Refiners (Mfrs)
Chevron Global Downstream LLC	San Ramon	Marketing Programs & Services
Concord Naval Weapons Station	Concord	Federal Government-National Security
Contra-Costa Regional Med Center	Martinez	Hospitals
Department of Veterans Affairs	Martinez	Clinics
Doctor's Medical Center	San Pablo	Hospitals
John Muir Health Physical Rhb	Concord	Physical Therapists
John Muir Medical Center-Walnut	Walnut Creek	Hospitals
Kaiser Permanente	Walnut Creek	Hospitals
Kaiser Permanente	Martinez	Clinics
Kaiser Permanente Martinez Med	Concord	Hospitals
La Raza Market	Richmond	Grocers-Retail
Muirlab	Walnut Creek	Laboratories-Medical
Nordstrom	Walnut Creek	Department Stores
Richmond City Offices	Richmond	Government Offices-City, Village & Twp
San Ramon Regional Medical Center	San Ramon	Hospitals
Shell Oil Prod	Martinez	Oil Refiners (Mfrs)
St Mary's College of California	Moraga	Schools-Universities & Colleges Academic
Sutter Delta Medical Center	Antioch	Hospitals
Tesoro Golden Eagle Refinery	Pacheco	Oil Refiners (Mfrs)
V.A. Outpatient Clinic	Martinez	Surgical Centers

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the Town, the County, the State and the United States for the period 2008 through 2012.

TOWN OF MORAGA, CONTRA COSTA COUNTY, AND THE STATE OF CALIFORNIA
Effective Buying Income
As of January 1, 2008 through 2012

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2008	Town of Moraga	$710,303	$86,414
	Contra Costa County	30,737,690	61,903
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	Town of Moraga	$740,920	$89,583
	Contra Costa County	31,197,703	64,213
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	Town of Moraga	$743,213	$87,860
	Contra Costa County	30,049,698	61,031
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	Town of Moraga	$682,445	$86,209
	Contra Costa County	30,416,350	60,777
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	Town of Moraga	$765,218	$88,232
	Contra Costa County	33,604,875	61,167
	California	864,088,828	47,307
	United States	6,737,867,730	41,358

Source: *The Nielsen Company (US), Inc.*

Commercial Activity

A summary of historic taxable sales within the Town during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2011 in the Town were reported to be $86.3 million, a 9.6% increase over the total taxable sales of $78.7 million reported during calendar year 2010.

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, retail stores data for 2009 to 2011 are not comparable to that of prior years.

Table 9
TOWN OF MORAGA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2007	178	$71,413	400	$81,538
2008	175	71,029	381	78,865
2009 (1)	231	69,248	341	76,004
2010 (1)	246	72,537	346	78,752
2011 (1)	221	78,327	323	86,329

(1) Not comparable to years prior to 2009. “Retail” category now includes “Food Services.”
Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax).

Construction Activity

The following tables show a five year summary of the valuation of building permits issued in the Town.

TOWN OF MORAGA
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2008	2009	2010	2011	2012
Permit Valuation					
New Single-family	$1,613.1	$1,073.4	$1,556.0	$1,133.8	$0.0
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	8,773.1	8,064.9	6,444.3	8,627.0	6,051.2
Total Residential	10,386.2	9,138.2	8,000.3	9,760.8	6,051.2
New Commercial	0.0	0.0	2,540.8	20.0	658.1
New Industrial	0.0	0.0	0.0	0.0	180.0
New Other	5,503.3	379.5	788.5	0.0	80.0
Com. Alterations/Additions	1,111.1	7,130.3	509.4	727.0	1,743.2
Total Nonresidential	6,614.4	7,509.8	3,838.7	747.0	2,661.3
New Dwelling Units					
Single Family	3	2	3	2	0
Multiple Family	0	0	0	0	0
Total	3	2	3	2	0

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE TOWN
FOR THE YEAR ENDED JUNE 30, 2012

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TOWN OF MORAGA, CALIFORNIA

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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TOWN OF MORAGA

Basic Financial Statements
For the Year Ended June 30, 2012

Table of Contents

TOWN OF MORAGA

Basic Financial Statements
For the Year Ended June 30, 2012

Table of Contents, Continued

MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Town Council of the
Town of Moraga
Moraga, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Moraga (the Town) as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic 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 Town of Moraga as of June 30, 2012, and the respective changes in the financial position and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2012, on our consideration of the Town'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The Supplemental Information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements. The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the financial statements as a whole.

Maze & Associates

November 9, 2012

INTRODUCTION

The management of the Town of Moraga ("Town") offers readers of the Town's financial statements this overview of the Town's financial performance for the fiscal year ended June 30, 2012. In accordance with *Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, this Management's Discussion and Analysis is intended to:

- Highlight information readers need to assess whether the Town's financial position has improved or deteriorated,
- Make comparisons of current year to prior year financial activity,
- Explain any significant changes in funds and budget variances,
- Describe capital asset and long-term debt activity during the year,
- Describe currently known facts, decisions, or conditions that are expected to have a significant effect on financial position.

It should be noted that the Town adopts an annual budget that serves as the financial plan for the year. The budget is a planning tool and is based on projected expenditures and revenues, cash flow and available cash resources for that year. The Town's financial statements serve the purpose of reporting all revenues and all costs of providing services each year, not just those received or paid in the current year. In addition, the financial statements report not just current assets and liabilities but also long-term assets and liabilities.

FINANCIAL HIGHLIGHTS

The Basic Financial Statements present information on the financial health of the Town. Highlights for the year ended June 30, 2012 are noted as follows:

1. The Town's total assets exceeded its liabilities (net assets) by $41,001,800 (Basic Financial Statements, page 16). This compares to net assets of $40,875,352 in the prior year ended June 30, 2011, an increase of $126,448 (0.3%).

2. The Town's unassigned fund balance is $2,523,411 (Basic Financial Statements, page 20), which represents 43.5% of the actual General Fund expenditures ($5,807,303) (Basic Financial Statements, page 22). In addition, the One-Time Developer Fee Fund maintains a fund balance of $2,140,737 (Supplemental Information, General Fund, page 48, of the Basic Financial Statements) classified as *committed* fund balance due to restrictions placed on the fund through a settlement agreement.

3. The Town ended the year with a surplus, where actual revenues exceeded expenditures by $418,963 in all funds (Total Governmental Funds). Specific to the Town's General Fund, a net deficit of $285,966 is recorded due to the use of fund balance to pay off the promissory note for $450,000 in connection with the 331 Rheem Boulevard (Town's Corporation Yard) acquisition. (Basic Financial Statements, page 22). Specifically, $225,000 from the General Purpose Fund and $225,000 from the One-Time Developer Fee fund balances were used to pay the promissory note due on March 10, 2012.

4. The Town's actual General Fund expenditures of $5,807,303 (Basic Financial Statements, page 22) increased by 2.1% from the prior year ended June 30, 2011 expenditures of $5,686,117.

5. From a budget perspective, the Town's expenditures for the year ended June 30, 2012 were fully covered with revenues received during the same year combined with anticipated transfers from fund balances, with the exception of the one-time pay off of the promissory note in the amount of

$450,000. The Town's General Fund actual revenue receipts totaled $5,649,048 for the year ended June 30, 2012. Actual expenditures of $5,807,303 exceeded budget expectations with a savings of $406,570 (7.0%), primarily due to vacancies in the Public Works Department in the latter half of the year. (Basic Financial Statements, page 24).

THE TOWN AS A WHOLE

The *Statement of Net Assets* and the *Statement of Activities* report information about the Town's finances as a whole. They report consolidated financial information on the Town's *primary activities,* which include police, public works, parks and recreation, planning and general administration. While some of these activities are supported in part by charges for services and grants, the majority are financed by property taxes, sales tax, motor vehicle license fees and franchise fees.

These statements include all assets and liabilities using the full accrual basis of accounting similar to the accounting model used by private sector firms. Under this accounting model, all assets and all liabilities, including revenues and expenses for providing services, are included regardless of when cash is actually received or paid.

Looking at the Town's net assets – the difference between assets and liabilities – is one way to measure the Town's financial health. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating. Of course, other, non-financial, factors must also be considered such as changes in the Town's property tax base, sales tax, and condition of the Town's roads and other infrastructure.

Statement of Net Assets

The detailed *Statement of Net Assets* (Basic Financial Statements, page 16) is a snapshot of the Town's financial position at the end of the Fiscal Year (FY) 2011-12. The following table provides a summary of the Town's net assets at June 30, 2012 compared to the prior years.

Table 1. Summary of Net Assets for FY 2009-10, 2010-11 and 2011-12

	FY 09/10	FY 10/11	% Change 09/10 to 10/11	FY 11/12	% Change 10/11 to 11/12
Assets					
Current Assets	$9,077,961	$9,129,357	0.6%	$9,602,689	5.2%
Noncurrent Assets	33,968,971	34,371,496	1.2%	33,608,559	(2.2%)
Total Assets	43,046,932	43,500,853	1.1%	43,229,248	(0.6%)
Liabilities					
Current liabilities	754,440	1,185,501	57.1%	777,851	(34.4%)
Noncurrent liabilities	1,945,000	1,440,000	(26.0%)	1,449,597	0.7%
Total Liabilities	2,699,440	2,625,501	(2.7%)	2,227,448	(15.2%)
Net Assets					
Invested in capital	30,636,715	31,117,713	1.6%	31,326,914	0.7%
Restricted				4,020,379	
Unrestricted	9,710,777	9,757,639	0.5%	5,654,507	(42.1%)
Total Net Assets	$40,347,492	$40,875,352	1.3%	$41,001,800	0.3%

For the year ended June 30, 2012, total assets exceeded liabilities by $41,001,800. This compares to net assets of $40,875,352 in the prior year ended June 30, 2011, an increase of $126,448 (0.3%). The Town's net assets have grown over the prior two years.

The decrease in noncurrent assets was the result the Town having capitalized the field renovation project at the Camino Pablo Elementary School in prior years. In this current year ended June 30, 2012, the project was completed and upon completion, the capital assets of the project were transferred to the Moraga School District and the total project cost of $578,059 was retired from the Town's noncurrent assets. The decrease in current liabilities for the year ended June 30, 2012 compared to the prior year is primarily due to the payment of the $450,000 promissory note related to the 2010 purchase of the property at 331 Rheem Boulevard, which serves as the Town's Corporation Yard.

Of the Town's net assets, 76.4% is invested in capital assets ($31,326,914) (e.g., land, buildings, machinery and equipment) and is reported net of related debt, and since these capital assets are used to provide services to the community, they may not be readily used to liquidate liabilities. An additional 9.8% is restricted for capital projects and special revenue projects.

Statement of Activities
The detailed *Statement of Activities* (Basic Financial Statements, page 17) presents the Town's revenue and incurred expenses as a whole for the year ended June 30, 2012. All financial activities of the Town are recorded here, including operational costs, capital project costs, depreciation and accrued liabilities such as vacation and sick leave.

The format of the *Statement of Activities* shows how much each activity is funded through fees and grants, and illustrates the relative expense supported by the Town's general revenues (i.e., property taxes, sales tax, franchise fees, motor vehicle license fees, gas tax, and lighting assessment). The following table is information from the *Statement of Activities* presented in an alternative format and comparing the Town's activities at June 30, 2012 with that of prior years.

Table 2. Statement of Activities for FY 2009-10, 2010-11 and 2011-12

	FY 09/10	FY 10/11	% Change 09/10 to 10/11	FY 11/12	% Change 10/11 to 11/12
Program Revenues:					
Charges for Services	$967,582	$887,031	(8.3%)	$1,058,161	19.3%
Operating Grants	110,000	100,000	(9.1%)	109,016	9.0%
Capital Grants	1,729,067	593,824	(65.7%)	1,096,496	84.7%
Total Program Revenues	*2,806,649*	*1,580,855*	*(43.7%)*	*2,263,673*	*43.2%*
General Revenues:					
Property Taxes	2,936,896	2,978,396	1.4%	3,065,030	2.9%
Sales Taxes	976,416	967,688	(0.9%)	1,018,561	5.3%
Franchise Fees	710,239	735,390	3.5%	738,185	0.4%
Motor Vehicle License Fees	48,468	48,982	1.1%	43,316	(11.6%)
Gas Tax	277,534	417,903	50.6%	467,217	11.8%
Assessments (National Pollutant Discharge Elimination System, Lighting Assessment District)	396,643	488,980	23.3%	431,447	(11.8%)
Interest[1]	263,151	249,440	(5.2%)	27,260	(89.1%)
Other	195,572	112,530	(42.5%)		(100%)
Total General Revenues	*5,804,919*	*5,999,309*	*3.4%*	*5,791,016*	*(3.5%)*
Total Revenues	8,611,568	7,580,164	(12.0%)	8,054,689	6.3%
Program Expenses:					
General Administration	1,412,592	1,257,416	(11.0%)	1,358,494	8.0%
Planning	547,238	462,025	(15.6%)	443,788	(4.0%)
Public Safety	2,007,108	2,150,458	7.1%	2,280,426	6.0%
Public Works	2,704,268	2,310,181	(14.6%)	3,154,962	36.6%
Parks and Recreation	606,949	809,048	33.3%	632,177	(21.9%)
Interest on Long Term Debt	3,453	63,176	1,726.6%	58,394	(7.6%)
Total Expenses	7,281,608	7,052,304	(3.2%)	7,928,241	12.4%
Change in Net Assets	1,329,960	527,860	(60.3%)	126,448	(76.1%)
Net Assets, Beginning of the Year	39,163,530	40,347,492	3.0%	40,875,352	1.3%
Prior Period Restatement	(145,998)				
Net Assets, End of the Year	$40,347,492	$40,875,352	1.3%	$41,001,800	0.3%

[1] In prior years the revenue from the rental of Town property was classified under General Revenues as "Interest and Use of Property." For the year ended June 30, 2012, the revenue from property rentals is more appropriately classified under Program Revenues, "Charges for Services." The revenue from property rentals for the year ended June 30, 2012 totaled $165,333, a slight decrease from the prior year of $211,153.

For this year ended June 30, 2012, the Town received $5,791,016 in general revenues and incurred expenses against these revenues of $5,664,568 (the sum of Total Expenses less Program Revenues). The change in net assets was $126,448.

FINANCIAL ANALYSIS OF COMBINED FUNDS

The Governmental Funds *Balance Sheet* and *Statement of Revenues, Expenditures and Changes in Fund Balances* report information about the Town's finances by fund group. The Town's governmental funds are broken down into three major fund groups – General Fund, Capital Projects Fund and Other Governmental Funds. When considering the relative health of the Town's finances, it is useful to look more closely at the fund balances for each group.

Governmental Funds

The General Fund group is made up of the Town's discretionary resources (e.g., property taxes; and sales and use taxes) and functions as the general operating fund. The General Fund group includes the General Purpose Fund and One-Time Developer Fee Fund.

The Capital Projects Fund group includes the Community Facilities/Open Space Fund, Asset Replacement Fund, Certificate of Participation (COP) 329 Rheem Renovation Fund, various grant funds and development impact fee funds.

Other Governmental Funds include the COP (Citizens Option For Public Safety/Supplemental Law Enforcement Funding), Gas Tax, Measure J, Park Dedication, Lighting Assessment District, Traffic Safety, NPDES (Clean Water Act – National Pollutant Discharge Elimination System), Traffic Congestion Relief Funds and Asset Forfeiture, Public Safety Sales Tax (Proposition 172), and Street Lighting.

Fund Balance

Beginning with this fiscal year ended June 30, 2011, the Town implemented *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54's intent is to provide more clearly defined fund balance classifications to make the nature and extent of the constraints placed on a government's fund balances more transparent. Town Council adopted Resolution No. 24-2011 on June 22, 2011 adopting the GASB 54 fund balance classification definitions.

GASB 54 places fund balance under five possible classifications – *unspendable, restricted, committed, assigned,* and *unassigned*. Only fund balance in the General Fund is able to be classified as *unassigned* because all other funding sources come with it restrictions on its use by legislative action at the local, state or federal level.

As shown in the Basic Financial Statements on page 20, as of the fiscal year ended June 30, 2012, the Town's governmental fund types included combined ending fund balances of $9,169,048. However, of that total, $421 is classified as *nonspendable* (i.e., petty cash, prepaid expenditures, notes receivable, advances to other funds, or loan receivable), 33% ($3,007,049) is classified as *restricted* (i.e., debt service, grants, or restricted by legislative action at the local, state or federal level), 34% ($3,154,067) is *committed* (i.e., constrained by formal action of the Town Council), and 5% ($484,100) is *assigned* (i.e., encumbrances).

The Town's unassigned (General Fund) fund balance is 28% ($2,523,411) of the total combined fund balance. This amount also represents 43.5% of the actual General Fund expenditures ($5,807,303) for the year ended June 30, 2012 (Basic Financial Statements, page 22).

The detailed *Statement of Revenues, Expenditures and Changes in Fund Balances* (Basic Financial Statements, page 22) presents the changes to fund balances resulting from the FY 2011-12 actual revenue and expenditure activity. A summary of net changes by fund group is shown in the table below.

Table 3. Summary of Net Changes to Fund Balance by Fund Group

Fund Balance	General Fund	Capital Projects	Other Gov't Funds	Total Gov't Funds
Beginning Fund Balance	$5,434,635	$1,907,055	$1,379,262	$8,720,952
Ending Fund Balance	5,148,669	2,284,546	1,735,833	9,169,048
Net Change	($285,966)	$377,491	$356,571	$448,096

The decrease in fund balance in the General Fund is the net result of the one-time payment of the $450,000 promissory note related to the 2010 purchase of the property at 331 Rheem Boulevard, which serves as the Town's Corporation Yard. The increases in fund balance for Capital Projects and Other Governmental funds are the result of revenues exceeding expenditures for the year ended June 30, 2012 though some of the revenue may be committed to capital projects that typically incur expenditures over multiple years.

Capital Assets

The Town's investment in capital assets as of June 30, 2012 totaled $32,348,249, compared to $33,062,713 in FY 2010-11 (Basic Financial Statements, Note 5, page 37). This investment in capital assets includes land, buildings and improvements, roadways, storm drains, parks and recreation, and equipment and furniture.

The Town retired capital assets totaling $691,041 included a delayed retirement of expenses related to the repair of the Hacienda second floor due to a fire in 2009 and completed in 2010 in the amount of $102,509 and final expenses related to improvements at the St. Mary's and Rheem Boulevard intersection in the amount of $10,473. In addition, in prior years, the Town capitalized the field renovation project at the Camino Pablo Elementary School. In this current year ended June 30, 2012, the project was completed and upon completion, the capital assets of the project were transferred to the Moraga School District and the total project cost of $578,059 was retired.

Capital asset additions during FY 2011-12 totaled $15,431 in equipment and furniture for police equipment such as radios.

Debt

The Town's debt totals $1,513,916 as of June 20, 2012, compared to $2,217,096 in FY 2010-11 (Basic Financial Statements, Note 6, page 38). Compensated absences are no longer listed as a long-term liability and the note payable of $450,000 was paid off during the current year. The remaining debt is attributed to the $1,525,000 Certificates of Participation issued in 2010 for the Town Hall Improvement Project and an Energy Efficiency Loan taken to complete energy efficiency improvements to various Town facilities.

STRENGTHS AND RISKS

Budget

The detailed *Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual* for the General Fund (Basic Financial Statements, page 24) show that revenues of $5,649,048, excluding accrual of unrealized gains and losses on investments, had a unfavorable variance of 3.1% relative to the adjusted budget. The variance is primarily attributed to several factors including the transfer of the Public Safety Sales Tax (Proposition 172) from general fund revenues to other governmental fund revenues, decrease in Motor Vehicle License Fees from the State, decrease in anticipated rentals at the Hacienda de Las Flores, and decrease in capital improvement project work supported by public works staff.

Expenditures of $5,807,303 had a favorable variance of 7.0% relative to the adjusted budget. The variance is primarily attributed to savings in legal services and reduced personnel costs from vacant positions in the Public Works Department in the latter part of the year.

General Fund Reserve

The General Fund includes the Town's primary resources for operations. The Town's policy, per Resolution No. 45-2009 adopted on June 24, 2009, is to maintain a General Fund balance equal to 50% of the General Fund operating expenditures. At the year ended June 30, 2012, the unassigned fund balance was $2,523,411, which represents 43.5% of the actual General Fund expenditures ($5,807,303) for the year ended June 30, 2012 (Basic Financial Statements, page 22).

Revenue

The Town's general operations depend heavily on property and sales taxes.

Historically, property tax revenues have remained relatively flat. The table below provides a three-year history of the Town's property tax revenue receipts. Property tax revenues include ad valorem taxes received into the General Fund and special assessments categorized under Other Governmental Funds due to their restricted uses.

Table 5. History of Property Tax Revenues

	FY 09/10	FY 10/11	% Change 09/10 to 10/11	FY 11/12	% Change 10/11 to 11/12
Property Tax	$2,936,895	$2,978,396	1.4%	$3,065,030	2.9%

Sales tax and use taxes are the second largest revenue source for the Town. Sales and use tax is derived from the sales transactions located within the Town, a portion of sales from the County pool, and sales tax in-lieu. The economic outlook for sales tax revenues remains cautious as the State and the nation continue to pull out of the recession. Relative to other local governments, however, the Town's sales and use tax revenue changes have been modest.

The table below shows a three-year history of sales and use tax revenues. It is worth noting that the voters of the Town of Moraga approved a new one-cent local transaction and use (add-on sales) tax on November 6, 2012 with a 70% approval rate. This general sales tax will become effective on April 1, 2013 and sunset in 20 years.

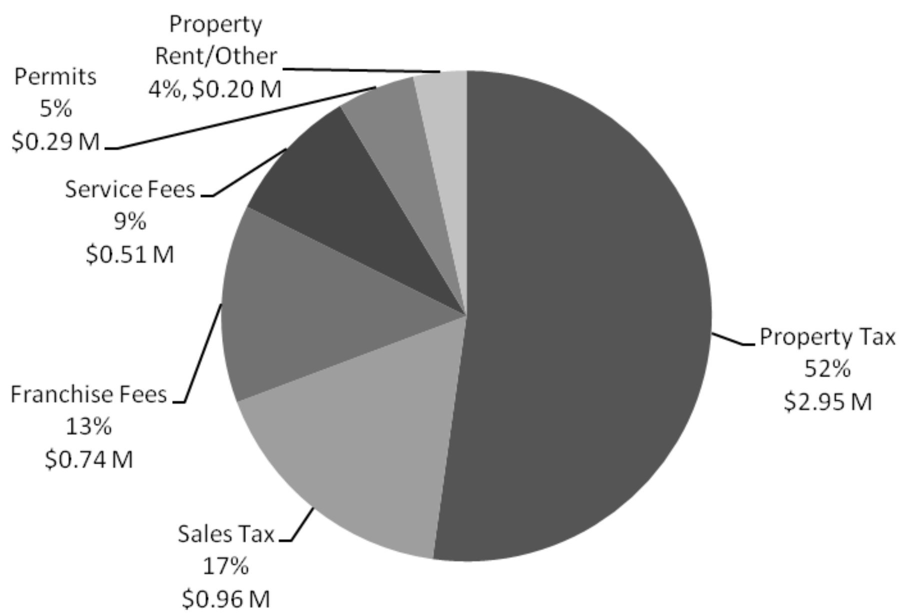
Table 6. History of Sales and Use Tax Revenues

	FY 09/10	FY 10/11	% Change 09/10 to 10/11	FY 11/12	% Change 10/11 to 11/12
Sales and use tax	$723,246	$695,885	(3.8%)	$728,891	4.7%
Sales and use tax in lieu	202,550	220,460	8.8%	235,322	6.7%
Public safety sales tax	50,620	51,343	1.4%	54,348	5.9%
Total Sales Tax Revenue	$976,416	$967,688	(0.9%)	$1,018,561	5.3%

Franchise fees are the third largest revenue source. Franchise fees include those from Central Contra Costa County Solid Waste Authority, Pacific Gas & Electric (PG&E) and Comcast Cable.

Other Town revenues such as motor vehicle license fees, gas tax, Measure J, NPDES (Clean Water Act - National Pollutant Discharge Elimination System), interest, and charges for services also support the Town's day-today operations. The following chart illustrates the major revenues sources for the Town's operations (using figures from the *Statement of Revenues, Expenditures, and Changes in Fund Balances* on page 22).

Chart 1. FY 11-12 General Fund Revenues ($5.65M)



While the Town addresses issues that it has some measure of control over, there exist external factors over which the Town has little or no control. While the Town relies heavily on property tax, it receives a much lower portion of property tax compared to other communities. Most homeowners may know that Proposition 13, passed by California voters in 1978, fixed the property tax rate at 1% of the assessed value of a home, plus any assessment bond approved by popular vote. But many may not know that it also froze how the property tax dollars are distributed among all the benefactors including the Town government, Moraga-Orinda Fire District, schools, Central Contra Costa County Solid Waste Authority, East Bay Municipal Utility District, East Bay Regional Park District, BART and Contra Costa County. The distribution of property tax dollars was set under Prop 13 based on what existed in 1976. At that time, the Town was a young "minimal government," which meant that the Town government was not spending, or receiving, a lot of tax dollars and so the Town's proportion of the property tax was set at 5.3% and has held constant to this day.

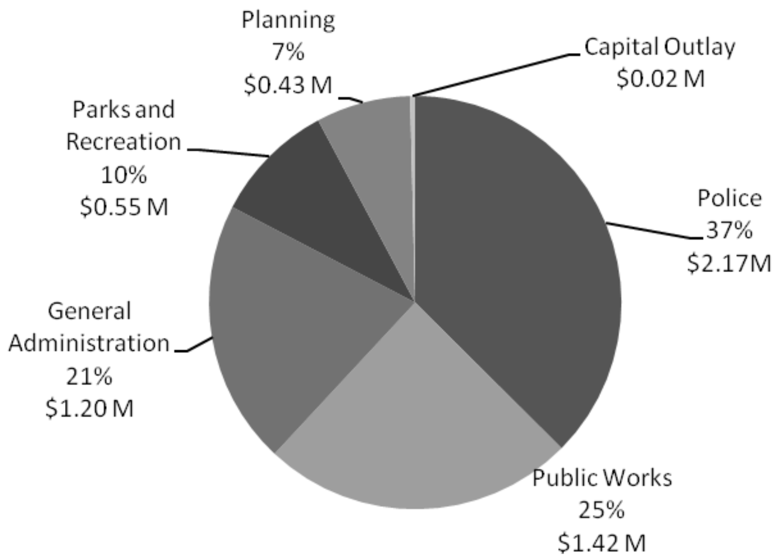
Other government agencies also have an influence on the financial health of the Town. In recent years, the voters have repeatedly passed propositions to prevent the State legislature from continuing to raid local revenues. Consequently, the State is limited in how much revenue it can take back from local government. Nonetheless, the State continues to face fiscal challenges and program reductions at the State level push down service responsibilities from the State level to the county and municipal levels.

Expenditures

The Town government was founded on a "minimal government" model. In this tradition, the Town endeavors to keep its operating expenses low and the number of employees at a minimum. Consequently, services provided by the Town are limited and maintenance of Town assets is often deferred. Volunteers play a critical role in the day-to-day operations, as well as special projects, of the Town government.

The following chart illustrates the relative distribution of the Town's General Fund expenditures (using figures from the *Statement of Revenues, Expenditures, and Changes in Fund Balances* on page 22).

Chart 2. FY 11-12 General Fund Expenditures ($5.81M)



Expenditures under General Administration include the Town Council, Town Manager, Town Clerk, and Administrative Services departments. General Administration also includes the Town's contracts for legal services and information technology.

The Town also contracts with Contra Costa County for a variety of services such as animal services, police dispatch, forensics, jail and booking services, Cal-ID, ARIES maintenance, which are all part of the Police expenditures. Expenditures for signal and street light maintenance services provided by the County fall under the Public Works Department. The following table shows the historical costs of these services.

Table 4. Cost of Services Provided by Contra Costa County

Service Type	FY 09/10	FY 10/11	% Change 09/10 to 10/11	FY 11/12	% Change 10/11 to 11/12
Animal Services	$85,016	$86,044	1.2%	$86,724	0.8%
Police Dispatch	99,948	99,948	0.0%	99,948	0.0%
Cal-ID	14,431	15,089	4.6%	15,839	5.0%
ARIES Maintenance (computer system)	6,675	8,350	25.1%	8,350	0.0%
Forensic Services	7,290	10,915	49.7%	14,263	30.7%
Jail Services / Booking Fees	717	1,247	73.9%	1,128	(9.5%)
Signal/Street Light Maintenance	19,802	22,807	15.2%	18,254	(20.0%)
Total Expenditures	$233,879	$244,400	4.5%	$244,506	0.00%

The Town spent $1,048,899 in all governmental funds on capital improvement projects (Basic Financial Statements, page 22). A sampling of projects undertaken during the year include the following:

- Camino Pablo Fields Improvement
- Rancho Laguna Playground Equipment Replacement
- Commons Park Bandshell
- Energy efficiency improvements at the Hacienda, Library, and Town Hall

Condition of Moraga Roads

The Metropolitan Transportation Commission (MTC) issued a report in June 2011 that ranked street conditions for the Bay Area. Moraga's roads ranked 93 out of 109 Bay Area communities. When viewed as a whole, the Town's streets ranked in the "at risk" category.

The Town has been able to spend an average of $500,000 annually on street rehabilitation projects. Most of these expenditures are spent to leverage significant federal grants available only for the Town's major arterials (i.e., Moraga Road, Moraga Way, St. Mary's Road, Rheem Boulevard, Camino Pablo and Canyon Road). The result is that the road conditions of the Town's major streets are good. However, the arterial streets make up only about 25% of the total street miles in the Town. Neighborhood streets make up the other 75% of the total street miles in Moraga. Currently, about 57% of the Town's streets fall in the "poor" (51%) and "failed" (6%) categories. It is the aggregate condition of both the arterial and neighborhood that place Moraga's roads in the "at risk" category.

Continuing to spend $500,000 a year on street rehabilitation is not adequate. Continuing on this spending pattern will mean that in 10 years time, 85% of the Town's streets will be in the "poor" (13%) and "failed" (72%) categories. To make matters worse, the cost to rebuild "poor" and "failed" streets in 10 years will triple in costs.

In 2009, the Town Council established an Infrastructure Preservation and Improvement (IPI) fund intended to reserve funding for larger capital projects of the Town. At the year ended June 30, 2012, the Town has been able to set aside $186,002 for this purpose (Supplemental Information, Capital Projects Fund, page 51).

In addition, the voters of the Town of Moraga approved a new one-cent local transaction and use (add-on sales) tax on November 6, 2012 with a 70% approval rate. This general sales tax will become effective on April 1, 2013 and sunset in 20 years. In early 2013, the Town Council will consider financing options leveraging the additional sales tax as a means to finance a road repair and drainage infrastructure program that will address the deferred maintenance of the Town's streets.

REQUEST FOR INFORMATION

In this Management's Discussion and Analysis we have attempted to provide the reader with a narrative overview and analysis of the Town's financial statements for the fiscal year ended June 30, 2012. Readers are encouraged to examine the Basic Financial Statements, Notes and Supplemental Information contained in this report.

Questions concerning any information provided in this report or requests for additional financial information should be directed to:

Town of Moraga
Administrative Services Department
329 Rheem Boulevard
Moraga, CA 94556

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STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets and the Statement of Activities summarize the entire Town's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the Town's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the Town's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between Town funds have been eliminated.

The Statement of Net Assets reports the difference between the Town's total assets and the Town's total liabilities, including all the Town's capital assets and all its long-term debt. The Statement of Net Assets presents information in a way that focuses the reader on the composition of the Town's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the Town's Governmental Activities in a single column.

The Town's Governmental Activities include the activities of its General Fund, along with all its Special Revenue and Capital Projects Funds.

The Statement of Activities reports increases and decreases in the Town's net assets. It is also prepared on the full accrual basis, which means it includes all the Town's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the Town's expenses first, listed by program. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental program. The Town's general revenues are then listed in the Governmental Activities and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

TOWN OF MORAGA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments (Note 3)	$8,780,885
Restricted cash (Note 3)	117,697
Accounts receivable	721,687
Prepaid assets	420
Total current assets	9,620,689
Noncurrent assets:	
Net Pension Asset (Note 7)	1,260,310
Capital assets (Note 5)	
Capital assets, not being depreciated	11,912,656
Capital assets, being depreciated, net of accumulated depreciation	20,435,593
Total capital assets, net	32,348,249
Total non current assets	33,608,559
Total Assets	43,229,248
LIABILITIES	
Current liabilities:	
Accounts payable & accrued liabilities	290,422
Accrued payroll	157,641
Deferred revenue	850
Other liabilities	2,728
Loan payable - due within one year (Note 6)	4,319
Certificates of participation - due within one year (Note 6)	60,000
Accrued compensated absences - due within one year (Note 1G)	261,891
Total current liabilities	777,851
Noncurrent liabilities:	
Certificates of participation - due in more than one year (Note 6)	1,380,000
Loan Payable - due in more than one year (Note 6)	69,597
Total noncurrent liabilities	1,449,597
Total Liabilities	2,227,448
NET ASSETS (Note 8)	
Invested in capital assets, net of related debt	31,326,914
Restricted for:	
Capital projects	2,284,546
Special revenue projects	1,735,833
Unrestricted	5,654,507
Total Net Assets	$41,001,800

See accompanying notes to financial statements

TOWN OF MORAGA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Assets: Governmental Activities
Primary Government					
Governmental activities:					
General administration	$1,358,494	$72,735	$3,112	$84,401	($1,198,246)
Planning	443,788	289,690		283,932	129,834
Public safety	2,280,426	123,787	105,904		(2,050,735)
Public works	3,154,962	160,832		132,954	(2,861,176)
Parks and recreation	632,177	411,117		595,209	374,149
Interest on long-term debt	58,394				(58,394)
Total	7,928,241	1,058,161	109,016	1,096,496	(5,664,568)
Total primary government	$7,928,241	$1,058,161	$109,016	$1,096,496	(5,664,568)
General revenues:					
Taxes:					
Property tax					3,065,030
Sales tax					1,018,561
Franchise tax					738,185
Motor vehicle in-lieu					43,316
Gas tax					467,217
Assessments					431,447
Interest					27,260
Total general revenues					5,791,016
Change in Net Assets					126,448
Net Assets - Beginning					40,875,352
Net Assets - Ending					$41,001,800

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the Town for fiscal 2012. Individual other governmental funds may be found in the Supplemental Section.

GENERAL FUND

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CAPITAL PROJECTS FUND

Capital Project Fund is used to account for major capital improvement projects under Town Management.

TOWN OF MORAGA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents (Note 3)	$5,121,487	$1,991,926	$1,667,472	$8,780,885
Restricted cash (Note 3)		117,697		117,697
Accounts receivable	319,889	293,282	108,516	721,687
Prepaid expense	420			420
Due from other funds (Note 4)	14,282			14,282
Total Assets	$5,456,078	$2,402,905	$1,775,988	$9,634,971
LIABILITIES				
Accounts payable and accrued expenses	$147,040	$117,509	$25,873	$290,422
Accrued payroll	157,641			157,641
Deferred revenue		850		850
Other liabilities	2,728			2,728
Due to other funds (Note 4)			14,282	14,282
Total Liabilities	307,409	118,359	40,155	465,923
FUND BALANCES (Note 8)				
Nonspendable	421			421
Restricted		1,271,216	1,735,833	3,007,049
Committed	2,140,737	1,013,330		3,154,067
Assigned	484,100			484,100
Unassigned	2,523,411			2,523,411
Total Fund Balances	5,148,669	2,284,546	1,735,833	9,169,048
Total Liabilities and Fund Balances	$5,456,078	$2,402,905	$1,775,988	$9,634,971

See accompanying notes to financial statements

TOWN OF MORAGA
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balances - governmental funds	$9,169,048
Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	32,348,249
Net pension asset is not capitalized and is therefore not reported in the Governmental Funds net of accumulated amortization	1,260,310
Some expenses reported in the Statement of Activities do not require the use of the current financial resources and therefore are not reported as expenditures in the governmental funds:	
Compensated absences	(261,891)
Loan payable	(73,916)
Certificates of participation	(1,440,000)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$41,001,800

See accompanying notes to financial statements

TOWN OF MORAGA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes and assessments	$1,580,293		$1,014,362	$2,594,655
Property tax - in lieu	1,255,380			1,255,380
Sales and use tax	728,891			728,891
Sales tax - public safety			54,348	54,348
Sales and use tax - in lieu	235,322			235,322
Franchise fees	738,185			738,185
Real property transfer fees	96,790			96,790
Motor vehicle license fees	43,316			43,316
Homeowner's property tax relief	16,869			16,869
Planning and permits	289,690			289,690
Interest	19,788	$2,050	5,418	27,256
Property rentals	165,333			165,333
Parks and recreation	261,241		22,100	283,341
Police services	70,290			70,290
Public works services	135,533			135,533
Intergovernmental		772,949	389,836	1,162,785
Fines, forfeitures and penalties			51,271	51,271
Other revenues	12,127	138,090		150,217
Total Revenues	5,649,048	913,089	1,537,335	8,099,472
EXPENDITURES				
Current operations:				
General administration	1,202,641			1,202,641
Planning	430,203			430,203
Public safety	2,174,047		61,095	2,235,142
Public works	1,423,037	788	221,940	1,645,765
Parks and recreation	554,465			554,465
Debt service:				
Principal		505,000		505,000
Interest		58,394		58,394
Capital outlay	22,910	1,025,198	791	1,048,899
Total Expenditures	5,807,303	1,589,380	283,826	7,680,509
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(158,255)	(676,291)	1,253,509	418,963
OTHER FINANCING SOURCES (USES)				
Loan proceeds		29,133		29,133
Transfers in (Note 4)	649,910	1,164,454	24,984	1,839,348
Transfers out (Note 4)	(777,621)	(139,805)	(921,922)	(1,839,348)
Total Other Financing Sources (Uses)	(127,711)	1,053,782	(896,938)	29,133
NET CHANGE IN FUND BALANCES	(285,966)	377,491	356,571	448,096
BEGINNING FUND BALANCES	5,434,635	1,907,055	1,379,262	8,720,952
ENDING FUND BALANCES	$5,148,669	$2,284,546	$1,735,833	$9,169,048

See accompanying notes to financial statements

TOWN OF MORAGA
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$448,096
Governmental funds report capital outlays as expenditures while governmental activities reports depreciation as expense to allocate those expenditures over the life of the assets:	
The capital outlay expenditures are therefore added back to fund balance	1,048,899
Other non-capitalized expenditures are therefore deducted from fund balance	(59,542)
Depreciation expense is deducted from fund balance	(1,012,780)
Net retirements of capital assets are deducted from fund balance	(691,041)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Proceeds from the issuance of loans payable is deducted from fund balance	(73,916)
Repayment of loan payable is added back to fund balance	505,000
Some expenses reported in the Statement of Activities do not require the use of the current financial resources and therefore are not reported as expenditures in governmental funds:	
Net pension asset amortization expense	(48,473)
Change in accrued compensated absences	10,205
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$126,448

See accompanying notes to financial statements

TOWN OF MORAGA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget
	Original	Adjusted	Actual Amounts	Positive (Negative)
REVENUES				
Property taxes and assessments	$1,650,999	$1,701,484	$1,580,293	($121,191)
Property tax - in lieu	1,257,992	1,257,992	1,255,380	(2,612)
Sales and use tax	675,037	675,037	728,891	53,854
Sales tax - public safety	46,925	46,925		(46,925)
Sales and use tax - in lieu	220,460	220,460	235,322	14,862
Franchise fees	720,911	720,911	738,185	17,274
Real property transfer fees	47,272	75,258	96,790	21,532
Motor vehicle license fees	59,419	59,419	43,316	(16,103)
Homeowner's property tax relief	8,617	16,000	16,869	869
Planning and permits	210,500	210,500	289,690	79,190
Interest	27,659	20,060	19,788	(272)
Property rentals	197,243	197,243	165,333	(31,910)
Parks and recreation	305,600	305,600	261,241	(44,359)
Police services	67,789	67,789	70,290	2,501
Public works services	241,550	241,550	135,533	(106,017)
Other revenues	13,155	13,155	12,127	(1,028)
Total Revenues	5,751,128	5,829,383	5,649,048	(180,335)
EXPENDITURES:				
General government	1,336,434	1,327,439	1,202,641	124,798
Planning	423,562	474,627	430,203	44,424
Public safety	2,201,284	2,198,283	2,174,047	24,236
Public works	1,650,694	1,650,554	1,423,037	227,517
Parks and recreation	541,994	544,970	554,465	(9,495)
Capital outlay		18,000	22,910	(4,910)
Total Expenditures	6,153,968	6,213,873	5,807,303	406,570
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(402,840)	(384,490)	(158,255)	226,235
OTHER FINANCING SOURCES (USES)				
Transfers in	662,291	664,426	649,910	(14,516)
Transfers out	(162,552)	(387,552)	(777,621)	(390,069)
Total Other Financing Sources (Uses)	499,739	276,874	(127,711)	(404,585)
NET CHANGE IN FUND BALANCE	$96,899	($107,616)	(285,966)	($178,350)
BEGINNING FUND BALANCE			5,434,635	
ENDING FUND BALANCE			$5,148,669	

See accompanying notes to financial statements

FIDUCIARY FUNDS

Agency Fund is a clearing type fund for the collection of taxes or deposits held in trust, on behalf of individuals, private organizations and other governments. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

TOWN OF MORAGA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012

	Agency Fund
ASSETS	
Cash and cash equivalents (Note 3)	$472,200
Accounts receivables	84
Total Assets	$472,284
LIABILITIES	
Accounts payable	$24,801
Deposits	366,945
Deposits in trust	80,538
Total Liabilities	$472,284

See accompanying notes to financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Moraga was incorporated November 1974. The Town operates under a Council-Manager form of governmental and provides the following services: public safety (police), highways and streets, culture-recreation, public improvements, planning and zoning, and general administrative services.

A. *Reporting Entity*

The basic financial statements of the Town include only the financial activities of the Town, which has no component units.

B. *Basis of Presentation*

The Town's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Statements require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. These statements include the financial activities of the overall Town government, except for fiduciary activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category — *governmental* and *fiduciary* — are presented. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

C. *Major Funds*

The Town's major governmental funds are identified and presented separately in the fund financial statements. All other funds, called other governmental funds, are combined and reported in a single column, regardless of their fund-type.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The Town may also select other funds it believes should be presented as major funds.

The Town reported the following major governmental funds in the accompanying financial statements:

The **General Fund** is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources of the general government, except those required to be accounted for in the other funds.

The **Capital Projects Fund** is used to account for the major capital improvement projects under the Town management.

The fiduciary funds are used to report assets held in an agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds. Since these assets are being held for the benefit of a third party, these funds are not incorporated into the government-wide statements.

The Town reports the following fiduciary funds:

Agency Fund is a clearing type fund for the collection of taxes or deposits held in trust, on behalf of individuals, private organizations and other governments. The fund is custodial in nature (assets equal liabilities) and does not involved measurement of results of operations.

D. Basis of Accounting

The government-wide fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Those revenues susceptible to accrual are property taxes, sales taxes, property transfer taxes, interest revenue and charges for services. Licenses, use of property and permit revenues are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Certain indirect costs are included in program expenses reported for individual functions and activities.

E. Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	50 Years
Equipment and furniture	3 - 5 Years
Infrastructure	7-100 Years

F. Property Taxes

Property tax revenue is recognized in the fiscal year for which the tax and assessment are levied. The County of Contra Costa levies, bills, and collects property taxes and special assessments for the Town. Under the County's "Teeter Plan," the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments, on November 1 and February 1, becomes a lien on those dates and becomes delinquent on December 10 and April 10, respectively. Unsecure property tax is due on July 1, and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the Town in the fiscal year they are assessed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Compensated Absences

Compensated absences are comprised of unused vacation leave and compensatory time off, which are accrued as earned. No compensation is payable for sick leave. The Town's liability for compensated absences is determined annually. The portion expected to be permanently liquidated is recorded in the governmental funds and are recorded as fund liabilities. The long-term portion is recorded in the statement of net assets and is liquidated primarily by the General Fund.

The activities of the compensated absences for the year ended June 30, 2012 were as follows:

Beginning balance	$272,096
Additions	264,578
Payments	(274,783)
Ending Balance	$261,891
Current Portion	$261,891

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Cash and Cash Equivalents

The Town maintains a cash and investments pool that is available for use by all funds. Each fund's portion of this pool is displayed on the Balance Sheets for the governmental funds and Statement of Fiduciary Net Assets for the Agency Fund as cash and investments. Investments held at June 30, 2012, 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 stated at fair value are stated at cost or amortized cost.

NOTE 1 – SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Use of Restricted Resources

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

K. New Funds in Fiscal Year 2011-12

Public Safety Sales Tax Special Revenue Fund – The source of these funds is a statewide half-cent sales tax for public safety. Revenues in this special revenue fund must only be spent on public safety activities.

Street Lighting Special Revenue Fund – The source of these funds is a special allocation of the Basic 1% Property Tax paid by Town property owners. The revenues are intended to cover street lighting activities not included in the Town of Moraga Lighting Assessment District.

NOTE 2 - BUDGETARY ACCOUNTING

The annual budget adopted by the Town Council provides for the general operation of the Town. It includes proposed expenditures and the means of financing them. The Town Council approves total budgeted appropriations and any amendments to appropriations throughout the fiscal year. The appropriated budget covers all Town expenditures. Actual expenditures may not exceed budgeted appropriations at the fund level, which is the legal level of budgetary control. The Town Council must approve any revisions that alter the total expenditures of any fund.

NOTE 3 – CASH AND INVESTMENTS

A. Classification

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

	Total
Statement of net assets:	
Cash and investments	$8,780,885
Restricted cash	117,697
Fiduciary funds:	
Cash and investments	472,200
Total cash and investments	$9,370,782

NOTE 3 – CASH AND INVESTMENTS (Continued)

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	$500
Deposits with financial institutions	1,616,374
Deposits with trustee	117,697
Investments	7,636,211
Total cash and investments	$9,370,782

B. Investments Authorized by the California Government Code and the Town of Moraga's Investment Policy

The table below identifies the investment types that are authorized for the Town of Moraga by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Town of Moraga, rather than the general provisions of the California Government Code.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
Bank Savings Accounts and Demand Deposits (collaterized or insured)	N/A	25%	10%
Certificate of Deposit (collaterized or insured)	2 years	25%	10%
U.S. Treasury Securities	5 years	None	None
Federal Agency Obligations	5 years	50%	20%
Local Agency Investment Fund (LAIF)	N/A	None	None
Banker's Acceptances	180 days	20%	10%
Commercial Paper (rated A1 or greater)	270 days	20%	10%
Negotiable Certificates of Deposit	2 years	25%	10%
Medium Term Corporate Notes	5 years	25%	10%

NOTE 3 – CASH AND INVESTMENTS (Continued)

C. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements of the Town at which follows the Town of Moraga general provisions of the California Government Code and the Town's investment policy. The only type of investments held by the bond trustee are U.S. Treasury money market funds.

D. Interest Rate Risk

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

Information about the sensitivity of the fair values of the Town's investments (including investments held in pension) to market interest rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity:

Investment Type	12 months or less	Total
Cash and Investments in City Treasury:		
Local Agency Investment Fund	$7,636,211	$7,636,211
Held by Fiscal Agents:		
U.S. Bank Money Market Fund	117,697	117,697
Total Investments	$7,753,908	7,753,908
Cash deposits in banks and petty cash		1,616,874
Total Cash and Investments		$9,370,782

NOTE 3 – CASH AND INVESTMENTS (Continued)

E. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Town of Moraga's investment policy, or debt agreements, and the actual Moody's rating as of year end for each investment type:

Investment Type	A-1+	Not rated	Total
Rated:			
U.S. Bank Money Market Fund	$117,697		$117,697
Not rated:			
California Local Agency Investment Fund		$7,636,211	7,636,211
Total Investments	$117,697	$7,636,211	7,753,908
Cash deposits in banks and petty cash			1,616,874
Total Cash and Investments			$9,370,782

F. Concentration of Credit Risk

At June 30, 2012, the Town held no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of total Town investments.

G. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Town of Moraga's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Town deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

At June 30, 2012, the Town of Moraga's deposits with financial institutions were within the federal depository insurance limits.

NOTE 3 – CASH AND INVESTMENTS (Continued)

H. Investment in State Investment Pool

The Town 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 Town reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2012, these investments matured in an average of 268 days.

NOTE 4 – INTERFUND ACTIVITIES

A. Transfers Between Town Funds

With Council approval, resources may be transferred from one Town fund to another. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 4 – INTERFUND ACTIVITIES (Continued)

Transfers between Town funds during fiscal year 2011-12 were as follows:

Transfer From	Transfer To	Description	Amount Transferred
Major Governmental Funds			
General Fund			
Fund 101 - General Purpose	Fund 701 - COP 329 Rheem Renovation	Debt Service/Promissory Note	$338,344
	Fund 700 - Federal/Grant Reimbursement	Capital Projects - Labor	13,860
	Fund 700 - Federal/Grant Reimbursement	Capital Projects - Materials	14,415
	Fund 705 - Infrastructure Preserve and Improvement	Infrastructure Reserve	186,002
Fund 100 - Developer Fee	Fund 701 - COP 329 Rheem Renovation	Promissory Note	225,000
Capital Projects Fund			
Fund 750 - Asset Replacement	Fund 101 - General Purpose	Computer Purchases	5,600
	Fund 700 - Federal/Grant Reimbursement	Capital Projects - Labor	527
	Fund 700 - Federal/Grant Reimbursement	Capital Projects - Materials	31,914
Fund 700 - Federal/Grant Reimbursement	Fund 750 - Asset Replacement	Capital Projects - Labor/Materials	612
Fund 701 - COP 329 Rheem Renovation	Fund 700 - Federal/Grant Reimbursement	Capital Projects - Materials	100,140
Fund 720 - Public Safety Impact Fees	Fund 101 - General Purpose	Administrative Expense	45
Fund 760 - Local Transportation Impact Fees	Fund 101 - General Purpose	Administrative Expense	31
Fund 770 - Storm Drain Impact Fees	Fund 101 - General Purpose	Administrative Expense	475
Fund 780 - General Government Facilities Impact Fees	Fund 101 - General Purpose	Administrative Expense	264
Fund 790 - Park Development Impact Fees	Fund 101 - General Purpose	Administrative Expense	197
Non-Major Governmental Funds			
Fund 205 - Gasoline Tax Fund	Fund 101 - General Purpose	Street Maintenance	329,765
	Fund 700 - Federal/Grant Reimbursement	Capital Projects - Labor	121,355
	Fund 700 - Federal/Grant Reimbursement	Capital Projects - Materials	10,473
Fund 210 - Transportation Measure J	Fund 101 - General Purpose	Transportation Planning	25,864
	Fund 700 - Federal/Grant Reimbursement	Capital Projects - Labor	994
	Fund 700 - Federal/Grant Reimbursement	Capital Projects - Materials	94,239
Fund 250 - Park Dedication	Fund 700 - Federal/Grant Reimbursement	Capital Projects - Materials	26,579
Fund 500 - Lighting Assessment District	Fund 101 - General Purpose	Street Lighting Assessment District Admin	6,162
Fund 230 - Traffic Safety	Fund 101 - General Purpose	Crossing Guard Services	14,357
	Fund 101 - General Purpose	Police Services	25,000
Fund 510 - National Pollution Discharge Elimination System District	Fund 101 - General Purpose	Storm Drain Maintenance	187,802
Fund 109 - Public Safety Sales Tax	Fund 101 - General Purpose	Police Services	54,348
Fund 140 - Street Lighting	Fund 500 - Lighting Assessment District	General Benefits and In Lieu	24,984
	Total Interfund Transfers		$1,839,348

NOTE 4 – INTERFUND ACTIVITIES (Continued)

B. Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The purpose of these balances is to eliminate negative cash balances at year end in various funds.

NOTE 5 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the Town has reported all capital assets including infrastructure in the Government-wide Statement of Net Assets. The Town elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructures reporting, whereby depreciation expense and accumulated depreciation has been recorded. The following table presents the capital assets activity for the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Retirements	Transfers	Balance June 30, 2012
Governmental Activities					
Capital assets not being depreciated:					
Land and easements	$10,680,212				$10,680,212
Construction in progress	2,820,219	$973,926	($691,041)	($1,870,660)	1,232,444
Total capital assets, not being depreciated	13,500,431	973,926	(691,041)	(1,870,660)	11,912,656
Depreciable capital assets:					
Building and improvements	4,716,011			229,475	4,945,486
Roadway and related	28,053,554			1,427,240	29,480,794
Storm drains	3,078,067				3,078,067
Parks and recreation	2,048,923			130,399	2,179,322
Equipment and furniture	1,498,950	15,431		83,546	1,597,927
Total capital assets, being depreciated	39,395,505	15,431		1,870,660	41,281,596
Accumulated depreciation:					
Building and improvements	(1,086,492)	(98,564)			(1,185,056)
Roadway and related	(14,609,571)	(678,856)			(15,288,427)
Storm drains	(2,082,731)	(47,154)			(2,129,885)
Parks and recreation	(870,336)	(66,844)			(937,180)
Equipment and furniture	(1,184,093)	(121,362)			(1,305,455)
Total accumulated depreciation	(19,833,223)	(1,012,780)			(20,846,003)
Depreciable capital assets, net	19,562,282	(997,349)		1,870,660	20,435,593
Governmental capital assets, net	$33,062,713	($23,423)	($691,041)		$32,348,249

NOTE 5 – CAPITAL ASSETS (Continued)

A. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities:	
General Administration	$117,585
Planning	13,585
Public Safety:	
Police	45,284
Public Works	758,614
Parks and Recreation	77,712
Total Governmental Activities	$1,012,780

B. Camino Pablo School Field

In prior years, the Town has capitalized a renovation project of the Camino Pablo School Field. In current year, this project was completed. Upon completion, the capital assets of this project were transferred to the Moraga School District. Therefore, total project cost of $578,059 was retired from the Town's construction in progress in current year.

NOTE 6 – LONG TERM LIABILITIES

The Town generally incurs long-term debt to finance projects, which will have useful lives equal to or greater than the related debt. The Town's debt issues and transactions are related to governmental-type activities are discussed below.

A. Current Year Transactions and Balances

	Original Issue Amount	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	Current Portion
Note payable	$450,000	$450,000		($450,000)		
Certificates of Participation	1,525,000	1,495,000		(55,000)	$1,440,000	$60,000
Energy Efficiency Loan	198,935		$73,916		73,916	4,319
Total Governmental Activity		$1,945,000	$73,916	($505,000)	$1,513,916	$64,319

B. Note Payable

The Town signed a promissory note for $450,000 in connection with the 331 Rheem Boulevard acquisition. The note is non-interest bearing. In fiscal year 2011-12, the note was due in March and the Town paid off the outstanding balance of the promissory note when due.

NOTE 6 – LONG TERM LIABILITIES (Continued)

C. 2010 Certificates of Participation – Town Hall Improvement Project

Certificates of Participation were executed and delivered pursuant to a trust agreement dated February 1, 2010, by and among the Town, the Association of Bay Area Governments Finance Authority for Nonprofit Corporations (ABAG) and U.S. Bank, National Association (the Trustee) for the purposes of (a) financing a portion of the acquisition of real property located at 331 Rheem Boulevard in the Town and (b) the seismic upgrading and remodeling of the Town Hall located at 329 Rheem Boulevard. Interest on the Certificates of Participation varies between 3.0 and 4.625 percent with a final maturity in 2030.

D. Energy Efficiency Loan

In fiscal year 2009-10, the Town entered into a loan agreement with the California Energy Commission for $198,935, at three percent (3%) interest rate, for various energy savings projects throughout the Town of Moraga. As of June 30, 2012, the Town had drawn down $73,916.

E. Debt Service Requirements

Annual debt service requirements are shown below for all long-term debt with specified repayment terms:

Year ending June 30	Principal	Interest
2013	$64,319	$58,853
2014	64,450	56,923
2015	64,585	54,988
2016	69,723	52,975
2017	69,866	50,657
2018-2022	396,626	207,987
2023-2027	469,347	122,046
2028-2030	315,000	22,056
	$1,513,916	$626,485

NOTE 7 – PENSION PLAN

A. CALPERS Safety and Miscellaneous Employees Plans

Substantially all Town employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The Town's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and Town resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the Town must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2012, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	55
Monthly benefits, as a % of annual salary	2%	2%
Required employee contribution rates	8%	7%
Required employer contribution rates	19.169%	9.539%

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the Town's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability.

Safety Plan

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	$130,213	100%	---
2011	143,020	100%	---
2012	184,026	100%	---

Miscellaneous Plan

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	$129,999	100%	---
2011	163,568	100%	---
2012	178,022	100%	---

NOTE 7 – PENSION PLAN (Continued)

The Town uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the years ended June 30, 2012, 2011, and 2010, amounted to $362,048, $306,588, and $260,212, respectively.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Gain and losses that occur in the operation of risk pool are amortized over a rolling thirty-year period.

As required by State law, effective July 1, 2005, the Town's Miscellaneous and Safety Plans were terminated, and the employees in those plans were required by CALPERS to join new State-wide pools.

Funded Status and Funding Progress

The following schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

State-Wide Pool - Safety Plan:

	Actuarial					
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2008	$504,295,839	$438,674,996	$65,620,843	87.0%	$77,903,428	84.2%
2009	440,333,381	368,645,673	71,687,708	83.7%	60,158,108	119.2%
2010	469,525,634	396,740,091	72,785,543	84.5%	61,878,177	117.6%

The Town's Safety Plan represents approximately 1.75%, 1.65%, and 1.10% of the state-wide Safety 2% at 50 Risk Pool for the years ended June 30, 2010, 2009, and 2008 respectively, based on covered payroll of $1,083,940, $992,533, and $860,779 for those years.

State-Wide Pool - Miscellaneous Plan:

	Actuarial					
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2008	$2,780,280,768	$2,547,323,278	$232,957,490	91.6%	$688,606,681	33.8%
2009	3,104,798,222	2,758,511,101	346,287,121	88.8%	742,981,488	46.6%
2010	3,309,064,934	2,946,408,106	362,656,828	89.0%	748,401,352	48.5%

NOTE 7 – PENSION PLAN (Continued)

The Town's Miscellaneous Plan represents approximately 0.23%, 0.23%, and 0.26% of the state-wide Miscellaneous 2% at 55 Risk Pool for the years ended June 30, 2010, 2009, 2008 respectively, based on covered payroll of $1,764,284, $1,740,159, and $1,752,890 for those years.

Audited annual financial statements and ten year statistical comparison are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

B. Net Pension Asset

In June 2008, the Town paid off its "sidefund," the $1,454,201 Net Pension Obligation that resulted from the state-mandate to participate in the new state-wide safety and miscellaneous risk pools. This created a net pension asset in the government-wide financial statements. The net pension asset was funding from the One-Time Development Fee Fund (i.e., Palos Colorados revenues). The net pension asset is amortized over a 30-year amortization period, which began in 2009. Amortization expense for the year ended June 30, 2012 was $48,473, resulting in a net pension asset of $1,260,310 as of June 30, 2012.

NOTE 8 – NET ASSETS AND FUND BALANCES

A. Net Assets

Net Assets is the excess of all the Town's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the Town's capital assets, less the outstanding balance of any debt issued to finance these assets. At June 30, 2012 the breakout of this calculation is reflected as follows:

Total Capital Assets at June 30, 2012:	$32,348,249
Related Debts at June 30, 2012:	
Loan Payable	(73,916)
Certificate of Participation (COP)	(1,440,000)
Add: Unspent Proceeds from COP	492,581
Invested in capital assets, net of related debt	$31,326,914

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Town cannot unilaterally alter.

Unrestricted describes the portion of Net Assets which is not restricted to use.

NOTE 8 – NET ASSETS AND FUND BALANCES (Continued)

B. Fund Balance

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The Town's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the Town prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendables represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the Town Council which may be altered only by formal action of the Town Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the Town's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Town Council or its designee and may be changed at the discretion of the Town Council or its designee. This category includes encumbrances; Nonspendables, when it is the Town's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue and Capital Projects Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

NOTE 8 – NET ASSETS AND FUND BALANCES (Continued)

Detailed classifications of the Town's Fund Balances, as of June 30, 2012, are below:

	General Fund	Capital Project Fund	Other Governmental Funds	Total
Nonspendable:				
Prepaid expenses	$421			$421
Total Nonspendable	421			421
Restricted for:				
Streets and roads		$104,898	$1,249,907	1,354,805
Public safety			156,525	156,525
Traffic safety			75,762	75,762
Future projects			111,852	111,852
Clean water and storm drain			141,787	141,787
Capital projects		1,048,687		1,048,687
Debt service		117,631		117,631
Total Restricted		1,271,216	1,735,833	3,007,049
Committed to:				
Future projects	2,140,737	194,108		2,334,845
Capital projects		155,700		155,700
Assets replacements		663,522		663,522
Total Committed	2,140,737	1,013,330		3,154,067
Assigned for:				
On-going capital projects and maintenance	484,100			484,100
Total Assigned	484,100			484,100
Unassigned	2,523,411			2,523,411
Total fund balances	$5,148,669	$2,284,546	$1,735,833	$9,169,048

NOTE 9 – RISK MANAGEMENT

The Town is a member of the Municipal Pooling Authority (MPA). The Authority provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the Town and several other cities and governmental agencies as follows:

	Participating Cities Total Coverage	Deductible (Town Portion)
All risk fire and property	$1,000,000,000	$5,000
Boiler and machinery	25,000,000	5,000
Liability	29,000,000	10,000
Auto-physical damage	250,000	2,000
Workers' compensation	50,000,000	0

The Authority is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the Authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The Town's deposits with the Authority are in accordance with formulas established by the Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements for the Authority are available from MPA, 1911 San Miguel Drive, Suite 200, Walnut Creek, CA 94596.

The total coverage includes the Town's deductible, the portion underwritten by MPA, and the portion underwritten by other insurance companies. Management believed such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years by any significant amount.

NOTE 10 – LAMORINDA FEE AND FINANCING AUTHORITY

The Town of Moraga entered into a Joint Powers Agreement (JPA) with the cities of Lafayette and Orinda, to administer an adopted sub-regional transportation and traffic impact fee for the Lamorinda region under the authority of the Contra Costa County half cent sales tax measure adopted in 1988. The fees collected under the Authority from new construction are used to mitigate increased traffic in the region. Complete financial statements of the JPA are available at the City of Lafayette, 3675 Mt. Diablo Blvd., #210 Lafayette, CA 94549.

NOTE 11 – COMMITMENT AND CONTINGENT LIABILITIES

The Town participates in several Federal and State grant programs. These programs have been subjected to audits by the Town's independent accountants in accordance with the provisions of the Federal Single Audit Act amendments of 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Town expects such amounts, if any, to be immaterial.

The Town is subject to litigation arising in the normal course of business. In the opinion of the Town Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the Town.

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TOWN OF MORAGA
GENERAL FUND
COMBINING BALANCE SHEETS
JUNE 30, 2012

	General Purpose	Developer Fee	Total
ASSETS			
Cash and cash equivalents	$2,955,750	$2,165,737	$5,121,487
Accounts receivable	319,889		319,889
Prepaid expense	420		420
Due from other funds	14,282		14,282
Total Assets	$3,290,341	$2,165,737	$5,456,078
LIABILITIES			
Accounts payable and accrued expenses	$147,040		$147,040
Accrued payroll	157,641		157,641
Other liabilities	2,728		2,728
Total Liabilities	307,409		307,409
FUND BALANCES			
Nonspendable	421		421
Committed		$2,140,737	2,140,737
Assigned	459,100	25,000	484,100
Unassigned	2,523,411		2,523,411
Total Fund Balances	2,982,932	2,165,737	5,148,669
Total Liabilities and Fund Balances	$3,290,341	$2,165,737	$5,456,078

TOWN OF MORAGA
GENERAL FUND
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	General Purpose	Developer Fee	Total
REVENUES			
Property taxes and assessments	$1,580,293		$1,580,293
Property tax - in lieu	1,255,380		1,255,380
Sales and use tax	728,891		728,891
Sales and use tax - in lieu	235,322		235,322
Franchise fees	738,185		738,185
Real property transfer fees	96,790		96,790
Motor vehicle license fees	43,316		43,316
Homeowner's property tax relief	16,869		16,869
Planning and permits	289,690		289,690
Interest	19,788		19,788
Property rentals	165,333		165,333
Parks and recreation	261,241		261,241
Police services	70,290		70,290
Public works services	135,533		135,533
Other revenues	12,127		12,127
Total Revenues	5,649,048		5,649,048
EXPENDITURES			
Current operations:			
General administration	1,202,641		1,202,641
Planning	430,203		430,203
Public safety	2,174,047		2,174,047
Public works	1,423,037		1,423,037
Parks and recreation	554,465		554,465
Capital outlay	22,910		22,910
Total Expenditures	5,807,303		5,807,303
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(158,255)		(158,255)
OTHER FINANCING SOURCES (USES)			
Transfers in	649,910		649,910
Transfers out	(552,621)	($225,000)	(777,621)
Total Other Financing Sources (Uses)	97,289	(225,000)	(127,711)
NET CHANGE IN FUND BALANCES	(60,966)	(225,000)	(285,966)
BEGINNING FUND BALANCES	3,043,898	2,390,737	5,434,635
ENDING FUND BALANCES	$2,982,932	$2,165,737	$5,148,669

TOWN OF MORAGA
CAPITAL PROJECTS FUND
COMBINING BALANCE SHEET
JUNE 30, 2012

	Community Facilities/ Open Space	Asset Replacement	Federal Grant/ Reimbursement	Prop 1B	Comcast Grant Unrestricted	Comcast Grant Restricted
ASSETS						
Cash and equivalents	$8,106	$663,522	$127,649	$104,818	$155,700	$273,327
Restricted cash						
Accounts receivable			284,200	80		8,573
Total Assets	$8,106	$663,522	$411,849	$104,898	$155,700	$281,900
LIABILITIES						
Accounts payable and accrued expenses			$117,509			
Deferred revenue			850			
Total Liabilities			118,359			
FUND BALANCE						
Restricted			293,490	$104,898		$281,900
Committed	$8,106	$663,522			$155,700	
Total Fund Balances	8,106	663,522	293,490	104,898	155,700	281,900
Total Liabilities and Fund Balances	$8,106	$663,522	$411,849	$104,898	$155,700	$281,900

COP 329 Rheem Renovations	Public Safety Impact Fees	Local Transportation Impact Fees	Storm Drain Impact Fees	General Government Facilities Impact Fees	Park Development Impact Fees	Infrastructure Preserve and Improvement	Total Capital Projects Fund
$374,510	$4,323	$3,020	$46,145	$25,667	$19,137	$186,002	$1,991,926
117,697							117,697
362	2	2	32	18	13		293,282
$492,569	$4,325	$3,022	$46,177	$25,685	$19,150	$186,002	$2,402,905
							$117,509
							850
							118,359
$492,569	$4,325	$3,022	$46,177	$25,685	$19,150		$1,271,216
						$186,002	1,013,330
492,569	4,325	3,022	46,177	25,685	19,150	186,002	2,284,546
$492,569	$4,325	$3,022	$46,177	$25,685	$19,150	$186,002	$2,402,905

TOWN OF MORAGA
CAPITAL PROJECTS FUND
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	Community Facilities/ Open Space	Asset Replacement	Federal Grant/ Reimbursement	Prop 1B	Comcast Grant Unrestricted	Comcast Grant Restricted
REVENUES						
Intergovernmental			$669,195	$103,754		
Interest				83		
Other revenue		$3,112	50,100			$34,301
Total Revenues		3,112	719,295	103,837		34,301
EXPENDITURES						
Public safety						
Parks and recreation			1,025,198			
Debt Service:						
Principal						
Interest						
Total Expenditures			1,025,198			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		3,112	(305,903)	103,837		34,301
OTHER FINANCING SOURCES (USES)						
Loan proceeds			29,133			
Transfers in		612	414,496			
Transfers (out)		(38,041)	(612)			
Total Other Financing Sources (Uses)		(37,429)	443,017			
NET CHANGE IN FUND BALANCES		(34,317)	137,114	103,837		34,301
BEGINNING FUND BALANCES	$8,106	697,839	156,376	1,061	$155,700	247,599
ENDING FUND BALANCES	$8,106	$663,522	$293,490	$104,898	$155,700	$281,900

	COP 329 Rheem Renovation	Public Safety Impact Fees	Local Transportation Impact Fees	Storm Drain Impact Fees	General Government Facilities Impact Fees	Park Development Impact Fees	Infrastructure Preserve and Improvement	Total Capital Projects Funds
								$772,949
	$1,731	$10	$7	$111	$62	$46		2,050
		2,226	1,554	23,745	13,206	9,846		138,090
	1,731	2,236	1,561	23,856	13,268	9,892		913,089
	788							788
								1,025,198
	505,000							505,000
	58,394							58,394
	564,182							1,589,380
	(562,451)	2,236	1,561	23,856	13,268	9,892		(676,291)
								29,133
	563,344						$186,002	1,164,454
	(100,140)	(45)	(31)	(475)	(264)	(197)		(139,805)
	463,204	(45)	(31)	(475)	(264)	(197)	186,002	1,053,782
	(99,247)	2,191	1,530	23,381	13,004	9,695	186,002	377,491
	591,816	2,134	1,492	22,796	12,681	9,455		1,907,055
	$492,569	$4,325	$3,022	$46,177	$25,685	$19,150	$186,002	$2,284,546

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OTHER GOVERNMENTAL FUNDS

The Town maintains the following Other Governmental Funds:

Special Revenue Funds

Gasoline Tax – This fund accounts for revenues and expenditures received from the State of California under Street and Highways Code Section 2105, 2106, 2107, 2107.5, and 7360. Revenue allocations are based on population. Eligible expenditures include the construction and maintenance of streets.

Transportation Measure J – This fund accounts the Town's share of the proceeds of a one-half cent sales tax increase approved by Contra Costa County voters in 2004. Funds can be used for transportation purposes including transportation planning and street construction and maintenance.

Park Dedication – This fund accounts for revenues and expenditures of fees in lieu of park dedication pursuant to State of California Government Code Section 66475-66478 also known as the Quimby Act. The Town's Ordinance No. 221 provides the requirement of three acres per one thousand persons.

Lighting Assessment District - This fund accounts for revenues and expenditures of the Moraga Street Lighting Assessment District 1979-1 in accordance with the Landscaping and Lighting Act of 1972 (California Streets & Highways Code Sections 22500-22509). The fund covers the costs to operate the district, which covers a significant portion of the Town, including utilities, repairs, engineering services, administrative cost, and capital improvements. The current annual assessment levied is $58 for a single detached family residence within the district.

COPS/AVA - This fund accounts for COPS funds from the state that are allocated among cities and counties and special districts that provide law enforcement services in proportion to population.

Traffic Safety – This fund accounts for restricted funds derived from traffic fines and forfeitures, and must be used to support police activities.

NPDES – This fund accounts for revenues and expenditures associated with the annual assessment for the National Pollutant Discharge Elimination System created countywide in response to the 1972 Clean Water Act.

Traffic Congestion – This fund accounts for revenues received under Proposition 42, Traffic Congestion Relief program. In FY 2010/11, the State terminated Prop 42 funding and replaced it with Gas Tax Section 2103 funding, intending the net effect to be revenue neutral. Beginning in FY 2010/11, the Town recorded Gas Tax Section 2103 revenues in the Prop 42 fund. Eligible use of the funds is consistent with those of the Gas Tax.

Asset Forfeiture – Section 309 of Public Law 98-473 (The Comprehensive Crime Control Act of 1984) as implemented by the Attorney General's Guidelines on Seized and Forfeited Property (July 1990) allows the Drug Enforcement Administration (DEA) to share federally forfeited property with participating law enforcement agencies. The Town's Asset Forfeiture Fund was set up to receive and expend these funds. Allowable uses include activities calculated to enhance future investigations, law enforcement training, and law enforcement equipment and operations.

OTHER GOVERNMENTAL FUNDS (Continued)

Public Safety Sales Tax – This fund accounts for the revenues received from a statewide half-cent sales tax for public safety. Revenues in this special revenue fund must only be spent on public safety activities.

Street Lighting – This fund accounts for a special allocation of the Basic 1% Property Tax paid by Town property owners. The revenues are intended to cover street lighting activities not included in the Town of Moraga Lighting Assessment District.

TOWN OF MORAGA
OTHER GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

	Gasoline Tax	Transportation Measure J	Park Dedication	Lighting Assessment District	COPS/AVA
ASSETS					
Cash and cash equivalents	$355,682	$485,024	$111,749	$264,385	$145,901
Accounts receivable	49,326	29,377	103	196	633
Total Assets	$405,008	$514,401	$111,852	$264,581	$146,534
LIABILITIES					
Accounts payable and accrued expenses				$25,873	
Due to other funds					
Total Liabilities				25,873	
FUND BALANCE					
Restricted	$405,008	$514,401	$111,852	238,708	$146,534
Total Fund Balances	405,008	514,401	111,852	238,708	146,534
Total Liabilities and Fund Balances	$405,008	$514,401	$111,852	$264,581	$146,534

Traffic Safety	National Pollution Discharge Elimination System District	Traffic Congestion	Asset Forfeiture	Public Safety Sales Tax	Street Lighting	Total Nonmajor Governmental Funds
$66,671	$136,368	$995	$9,983		$90,714	$1,667,472
9,091	5,419		8	$14,282	81	108,516
$75,762	$141,787	$995	$9,991	$14,282	$90,795	$1,775,988
						$25,873
				$14,282		14,282
				14,282		40,155
$75,762	$141,787	$995	$9,991		$90,795	1,735,833
75,762	141,787	995	9,991		90,795	1,735,833
$75,762	$141,787	$995	$9,991	$14,282	$90,795	$1,775,988

TOWN OF MORAGA
OTHER GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	Gasoline Tax	Transportation Measure J	Park Dedication	Lighting Assessment District	COPS/AVA
REVENUES					
Taxes and assessment	$467,217			$196,878	
Sales tax - public safety					
Intergovernmental		$283,932			$105,904
Interest	1,656	1,467	$422	817	368
Parks and recreation			22,100		
Fines, forfeitures and penalties					
Total Revenues	468,873	285,399	22,522	197,695	106,272
EXPENDITURES					
Public safety					61,095
Public works				221,940	
Capital outlay					
Total Expenditures				221,940	61,095
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	468,873	285,399	22,522	(24,245)	45,177
OTHER FINANCING SOURCES (USES)					
Transfers in				24,984	
Transfers (out)	(461,593)	(121,097)	(26,579)	(6,162)	
Total Other Financing Sources (Uses)	(461,593)	(121,097)	(26,579)	18,822	
NET CHANGE IN FUND BALANCES	7,280	164,302	(4,057)	(5,423)	45,177
BEGINNING FUND BALANCES	397,728	350,099	115,909	244,131	101,357
ENDING FUND BALANCES	$405,008	$514,401	$111,852	$238,708	$146,534

Traffic Safety	National Pollution Discharge Elimination System District	Traffic Congestion	Asset Forfeiture	Public Safety Sales Tax	Street Lighting	Total Other Governmental Funds
	$234,569				$115,698	$1,014,362
				$54,348		54,348
						389,836
$240	329	$3	$35		81	5,418
						22,100
51,271						51,271
51,511	234,898	3	35	54,348	115,779	1,537,335
						61,095
						221,940
791						791
791						283,826
50,720	234,898	3	35	54,348	115,779	1,253,509
						24,984
(39,357)	(187,802)			(54,348)	(24,984)	(921,922)
(39,357)	(187,802)			(54,348)	(24,984)	(896,938)
11,363	47,096	3	35		90,795	356,571
64,399	94,691	992	9,956			1,379,262
$75,762	$141,787	$995	$9,991		$90,795	$1,735,833

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AGENCY FUNDS

All Agency Funds, representing all fiduciary funds of the Town are custodial in nature and do not involve measurement of results of operations. Such funds have no equity since any assets are due to individuals or other entities at some future time.

These funds are presented separately from the Governmental and Fund Financial Statements.

TOWN OF MORAGA
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
June 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS				
Cash and investments	$669,904	$55,569	$253,273	$472,200
Accounts receivable	31,664	84	31,664	84
Interest receivable	313		313	
Total Assets	$701,881	$55,653	$285,250	$472,284
LIABILITIES				
Accounts payable	$27,761	$24,801	$27,761	$24,801
Deposits	336,093	30,852		366,945
Deposits in trust	338,027		257,489	80,538
Total Liabilities	$701,881	$55,653	$285,250	$472,284

APPENDIX D

PROPOSED FORM OF SPECIAL COUNSEL OPINION

August 21, 2013

Town of Moraga
329 Rheem Boulevard
Moraga, CA 94556

OPINION: $7,720,000 Town of Moraga 2013 Certificates of Participation (Infrastructure Improvement Projects)

Members of the Town Council:

We have acted as special counsel in connection with the delivery by the Town of Moraga, California (the "Town"), of the Facility Lease, dated as of August 1, 2013 (the "Lease") by and between the ABAG Finance Authority for Nonprofit Corporations (the "Authority") and the Town. Pursuant to the Trust Agreement, dated as of August 1, 2013 (the "Trust Agreement") by and among the Town, the Authority and Wilmington Trust, N.A., as trustee thereunder (the "Trustee"), the Trustee has executed and delivered $7,720,000 aggregate principal amount of 2013 Certificates of Participation (Infrastructure Improvement Projects) (the "Certificates") evidencing the direct, undivided fractional interests of the owners thereof in lease payments to be made by the Town pursuant to the Lease (the "Lease Payments") which have been assigned by the Authority to the Trustee pursuant to the Trust Agreement. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Town contained in the Lease and the Trust Agreement, and in certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Town is a municipal corporation duly organized and validly existing under the laws of the State of California with the full power to enter into the Lease and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Lease and the Trust Agreement have been duly approved by the Town and constitute valid and binding obligations of the Town enforceable against the Town in accordance with their respective terms.

3. The Certificates have been validly executed and delivered by the Trustee pursuant to the Trust Agreement and, by virtue of the assignment made therein, the owners of the Certificates are entitled to the benefits of the Lease.

4. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; *provided, however*, that for the purpose of computing the alternative minimum tax imposed on such corporations (as defined for federal income tax purposes), such interest is required to be taken into account in determining certain income and earnings. The Lease Payments are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986 (the “Tax Code”), and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Tax Code), a deduction is allowed for 80 percent of that portion of such financial institutions’ interest expense allocable to interest payable with respect to the Lease Payments. The opinions set forth in the preceding sentence is subject to the condition that the Town comply with all requirements of the Tax Code which must be satisfied subsequent to the delivery of the Lease in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Town has covenanted in the Lease and the Trust Agreement and other instruments relating to the Certificates to comply with each of such requirements. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of delivery of the Lease. We express no opinion regarding other federal tax consequences arising with respect to the Lease and the Certificates.

5. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Certificates and the enforceability of the Lease and the Trust Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$7,720,000
Town of Moraga
2013 Certificates of Participation
(Infrastructure Improvement Projects)

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the TOWN OF MORAGA (the "Town") in connection with the execution and delivery of the certificates of participation captioned above (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of August 1, 2013 (the "Trust Agreement"), by and among the Town, the ABAG Finance Authority for Nonprofit Corporations and Wilmington Trust, N.A., as trustee (the "Trustee").

The Town covenants and agrees as follows:

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

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

"*Annual Report*" means any Annual Report provided by the Town pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is eight months after the end of the Town's fiscal year (currently March 1 based on the Town's fiscal year end of June 30).

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

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

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

"*Official Statement*" means the final official statement executed by the Town in connection with the issuance of the Certificates.

“*Participating Underwriter*” means Stifel Nicolaus & Company, Incorporated the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Town shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 1, 2014, with the report for the 2012-13 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the Town shall provide the Annual Report to the Dissemination Agent (if other than the Town). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Town) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Town to determine if the Town is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Town may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Town’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Town shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Town hereunder.

(b) If the Town does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Town shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

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

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

(a) The Town’s audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Town’s audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) A copy of the Town's budget for the current fiscal year, unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Town for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Town or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Town shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Town shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Certificates:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Certificate calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the Town or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the Town or an obligated person, or the sale of all or substantially all of the assets of the Town or an 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, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Town obtains knowledge of the occurrence of a Listed Event, the Town shall, or shall cause the Dissemination Agent (if not the Town) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement.

(c) The Town acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a Certificate call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Certificates. The Town shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the Town obtains knowledge of the occurrence of any of these Listed Events, the Town will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the Town will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Town in a proceeding under the United States 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 Town, or if such jurisdiction has been assumed by leaving the existing governing 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 Town.

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

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

Section 8. Dissemination Agent. The Town 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 Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Trustee. Any Dissemination Agent may resign by providing 30 days' written notice to the Town.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Town may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust 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 Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Town to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Town 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 Town 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 Town shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the Town fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Town to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Town to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Town agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they 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 Dissemination Agent shall have no duty or obligation to review any information provided to it by the Town hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Town, the Certificate holders or any other party. The obligations of the Town under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the Town for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

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

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: August 21, 2013

TOWN OF MORAGA

By: ______________________________

Name: ______________________________

Title: ______________________________

AGREED AND ACCEPTED:

______________________,
as Dissemination Agent

By: ______________________________

Name: ______________________________

Title: ______________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Town of Moraga

Name of Issue: 2013 Certificates of Participation

Date of Issuance: August 21, 2013

NOTICE IS HEREBY GIVEN that the Town has not provided an Annual Report with respect to the above-named Certificates as required by the Trust Agreement, dated as of _______________ 1, 2013, by and between the Town and ____________________, as trustee. The Town anticipates that the Annual Report will be filed by _________________.

Dated: ___________________

DISSEMINATION AGENT:

____

By: ___________________________
Its: ___________________________

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments with respect to the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Certificates (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Certificates (the "Agent") takes any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each 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 and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

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 Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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