This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 4, 2013

NEW ISSUE—FULL BOOK-ENTRY

RATINGS:
Moody's: "Aa1"
S&P: "AA+"
See "RATINGS" herein.

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

$26,730,000*
LOS ALTOS SCHOOL DISTRICT
(Santa Clara County, California)
2013 General Obligation Refunding Bonds

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

The $26,730,000* Los Altos School District (Santa Clara County, California), 2013 General Obligation Refunding Bonds (the "Bonds"), are being issued pursuant to the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code and a resolution of the Governing Board of the Los Altos School District (the "District").

The Bonds are being issued to (a) refund, on an advance basis, a portion of the Los Altos School District (Santa Clara County, California), 2006 General Obligation Refunding Bonds (the "2006 Bonds"), and (b) pay for costs of issuance of the Bonds. The 2006 Bonds were issued to refund certain bonds issued in 1999, 2001 and 2003 to finance educational facilities.

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

The Bonds are issuable in denominations of $5,000 and any integral multiple thereof. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2013. See "THE BONDS" herein. The Bonds will be delivered in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by U.S. Bank National Association, as paying agent (the "Paying Agent"), to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are not subject to optional redemption prior to maturity.

MATURITY SCHEDULE

CUSIP† Prefix: _____

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix	Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix
2013	$ 700,000				2019	$4,020,000			
2014	55,000				2020	4,385,000			
2015	60,000				2021	4,760,000			
2016	60,000				2022	5,165,000			
2017	3,365,000				2023	485,000			
2018	3,675,000								

Bids for the purchase of the Bonds will be received by the District on Tuesday, January 15, 2013, *electronically only*, through the I-Deal LLC BiDCOMP/PARITY© system, until 9:30 A.M., Pacific Standard time. The Bonds will be sold pursuant to the terms of sale set forth in the Official Notice of Sale, dated January 4, 2013.

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

KNN public finance

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

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Quint & Thimmig LLP, San Francisco, California. Certain legal matters also will be passed upon for the District by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. It is anticipated that the Bonds in definitive form will be delivered through the facilities of DTC on or about February 12, 2013.

Dated: January __, 2013

LOS ALTOS SCHOOL DISTRICT
201 Covington Road
Los Altos, California 94024-4030
(650) 947-1164 Phone | (650) 947-0118 Fax
http://www.losaltos.k12.ca.us/

LOS ALTOS SCHOOL DISTRICT

BOARD OF TRUSTEES

DISTRICT ADMINISTRATION

Jeffrey Baier, *Superintendent*
Randall Kenyon, *Assistant Superintendent, Business Services*
Alyssa Gallagher, *Assistant Superintendent, Curriculum & Instruction*

PROFESSIONAL SERVICES

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

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

PAYING AGENT, TRANSFER AGENT and
AUTHENTICATION AGENT
U.S. Bank National Association
San Francisco, California

VERIFICATION AGENT
Causey, Demgen & Moore, P.C.
Denver, Colorado

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the District or the Underwriter named on the cover page of this Official Statement.

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

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

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

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

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

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

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

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$26,730,000*
LOS ALTOS SCHOOL DISTRICT
(Santa Clara County, California)
2013 General Obligation Refunding Bonds

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of Los Altos School District (Santa Clara County, California) 2013 General Obligation Refunding Bonds, in the principal amount of $26,730,000* (the "Bonds").

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

The District

The Los Altos School District (the "District") provides educational services to the residents of most of the City of Los Altos (the "City"), half the town of Los Altos Hills, parts of the cities of Mountain View and Palo Alto, and some unincorporated county lands in Santa Clara County, California. Enrollment in the District for the 2011-12 school year was approximately 4,486. The District is governed by a five-member Board of Trustees (the "District Board") which is elected in alternating four-year terms. The chief executive officer of the District is the Superintendent, who is appointed by the District Board.

More detailed information regarding the area served by the District and the student population of the District may be found under "THE DISTRICT," "DISTRICT FINANCIAL INFORMATION," "TAX BASE FOR REPAYMENT OF BONDS."

The District's average daily attendance for fiscal years 2010-11 and 2011-12 was 4,301 and 4,387, respectively, and its projected average daily attendance for fiscal year 2012-13 is 4,442. The District has a 2012-13 total assessed valuation of $15,205,649,537. See "THE DISTRICT."

Security for the Bonds

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

Authority for Issuance; Purpose of Issues

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

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* Preliminary, subject to change.

the California Government Code. The Bonds are authorized to be issued pursuant to a resolution (the "Resolution"), adopted by the Board on December 10, 2012.

The Bonds are being issued to (a) refund, on an advance basis, a portion of the Los Altos Elementary School District (Santa Clara County, California), 2006 General Obligation Refunding Bonds, of which $92,215,000 were current interest bonds and $8,854,000 were capital appreciation bonds (the "2006 Bonds"), and (b) pay for costs of issuance of the Bonds. The 2006 Bonds were issued to refund certain bonds issued in 1999, 2001 and 2003 to finance educational facilities. See "SOURCES AND USES OF FUNDS—Bonds" and "PLAN OF FINANCING."

Description of the Bonds

The Bonds will be dated as of their date of delivery, will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. Interest on the Bonds accrues from their date of delivery and is payable semiannually on each February 1 and August 1 (each an "Interest Payment Date"), commencing August 1, 2013.

The Bonds will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth on the cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "THE BONDS—Book-Entry-Only System" and APPENDIX E—BOOK-ENTRY SYSTEM. In event that the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Bond Resolution described herein. See "THE BONDS—Registration, Transfer and Exchange of Bonds."

The Bonds are non-callable.

Tax Exemption

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

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued and received by the purchasers, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery in New York, New York on or about February 12, 2013.

Continuing Disclosure

The District will covenant for the benefit of the Bondholders to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events, if material, in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of material events is summarized below under "CONTINUING DISCLOSURE." See APPENDIX

D—FORM OF CONTINUING DISCLOSURE CERTIFICATE. The District has never failed to comply in all material respects with any previous continuing disclosure undertakings to provide annual reports or notices of material events.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available for inspection at the office of the Assistant Superintendent, Business Services, Los Altos School District, 201 Covington Road, Los Altos, CA 94024-4030, (650) 947-1164. The District may impose a charge for copying, mailing and handling.

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

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

THE BONDS

Authority for Issuance

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

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

Security

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

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

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

Description of the Bonds

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See "Book-Entry Only System" and APPENDIX E—BOOK-ENTRY ONLY SYSTEM.

Interest with respect to the Bonds accrues from their date of delivery and is payable semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing August 1, 2013. Interest on the Bonds accrues on the basis of a 360-day year comprised of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to that Interest Payment Date, inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before July 15, 2013, in which event it will bear interest from their date of delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on the dates, in the years and amounts set forth on the cover page hereof. The principal of and interest on the Bonds will be payable by check or draft mailed by first-class mail, in lawful money of the United State of America upon presentation and surrender of such Bond at the office of the Paying Agent. See also "Book Entry Only System" below.

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

Paying Agent

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

The Paying Agent, the District, the County and the Underwriter (as defined herein) have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

Payment

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

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

No Redemption

The Bonds are non-callable.

Transfer and Exchange of Bonds; Registration

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

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

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

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

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

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

Book-Entry-Only System

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

Events of Default and Remedies

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

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

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

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

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

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

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

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

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

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

Defeasance

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

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

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

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

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

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

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

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

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

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

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

PLAN OF FINANCING

The Bonds are being issued to (a) refund, on an advance basis, a portion of the current interest 2006 Bonds maturing on and after August 1, 2017 (the "Refunded 2006 Bonds"), and (b) pay for costs of issuance of the Bonds.

Refunding of the Refunded 2006 Bonds. The 2006 Bonds were issued on June 22, 2006, in the principal amount of $101,069,000. The Refunded 2006 Bonds are equal to $26,145,000. A portion of the net proceeds of the Bonds will be used to refund, on an advance basis, the Refunded 2006 Bonds. At closing, such net proceeds will be deposited with U.S. Bank National Association, as escrow bank (the "Escrow Bank") in an escrow fund (the "Escrow Fund"). On the Closing Date, the Escrow Bank will invest a portion of the amount on deposit in the Escrow Fund in federal securities, and will apply the maturing securities, the interest thereon and the uninvested cash to pay interest due on the Refunded 2006 Bonds to and including August 1, 2016, and will redeem the outstanding Refunded 2006 Bonds in full on that date at a redemption price equal to 100% of the principal amount thereof.

The sufficiency of the deposits in the Refunded Escrow Fund for such purposes will be verified by Causey Demgen & Moore, P.C., certified public accountants, Denver, Colorado (the "Verification Agent"). See "ESCROW VERIFICATION."

The amounts held by the Escrow Bank in the Escrow Fund are pledged solely to the payment of the Refunded 2006 Bonds. The funds deposited in the Escrow Fund will not be available for the payment of debt service with respect to the Bonds.

Payment of Costs of Issuance. A portion of the proceeds of the Bonds will be retained by the Paying Agent in a costs of issuance account and used to pay costs associated with the issuance of the Bonds. Any proceeds of sale of the Bonds not needed to redeem the Refunded 2006 Bonds or to pay costs of issuance of the Bonds will be transferred to the County Director of Finance for deposit in the Debt Service Fund and applied to pay debt service on the Bonds. Amounts held by the County Director of Finance will be invested on behalf of the District by the pursuant to law and the investment policy of the County. See "SANTA CLARA COUNTY INVESTMENT POOL."

SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Principal Amount of Bonds	
Plus: Original Issue Premium	
Total Sources of Funds	
Uses of Funds:	
Deposit to Escrow Fund	
Deposit to Costs of Issuance Fund [(1)]	
Total Uses of Funds	

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

DEBT SERVICE SCHEDULE

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

Interest Payment Date	Principal Amount*	Interest Amount	Semi-Annual Debt Service	Total Annual Debt Service
8/1/2013	$ 700,000			
2/1/2014	—			
8/1/2014	55,000			
2/1/2015	—			
8/1/2015	60,000			
2/1/2016	—			
8/1/2016	60,000			
2/1/2017	—			
8/1/2017	3,365,000			
2/1/2018	—			
8/1/2018	3,675,000			
2/1/2019	—			
8/1/2019	4,020,000			
2/1/2020	—			
8/1/2020	4,385,000			
2/1/2021	—			
8/1/2021	4,760,000			
2/1/2022	—			
8/1/2022	5,165,000			
2/1/2023	—			
8/1/2023	485,000			
Totals	$26,730,000			

*Preliminary, subject to change.

COUNTY OF SANTA CLARA POOLED INVESTMENT FUND

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

Each treasurer-tax collector is required to invest funds, including those pooled funds described above, in accordance with Government Code Sections 53601 et seq. In addition, each Director of Finance is required to establish an investment policy, which may impose further limitations beyond those required by the Government Code. A copy of the County investment policy and periodic reports on the County investment pool are available from the County Director of Finance, County 70 West Hedding Street, East Wing, Second Floor, San Jose, California 95110, Telephone: (408) 299-5201. It is not intended that such information be incorporated into this Official Statement by such references.

The following information concerning the Santa Clara County Investment Pool (the "County Investment Pool") has been provided by the Director of Finance of the County (the "Director of Finance") *and has not been confirmed or verified by the District. Neither the District, the Financial Advisor nor the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.*

The following is a general description of the County's investment policy, current portfolio holdings, investment policies and practices, and valuation procedures. For the most part, the information has been adapted from material prepared by Santa Clara County for use as disclosure information on securities issues. The information has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, nor has such information been audited by the District, the Underwriter. All questions related to the County Treasury and the investment practices of the Director of Finance should be directed to the Director of Finance at 70 West Hedding Street, San Jose, California 95110, telephone (408) 299-5200.

The County Director of Finance has authority to implement and oversee the investment of funds on deposit in the County's commingled investment pool (the "Investment Pool"). The Investment Pool is maintained by the County Director of Finance for the investment of liquid funds of the County and certain governmental entities located in the County, including fire protection districts and other special districts. Interest earned is deposited quarterly into participating funds. Any investment losses are shared proportionately by all funds in the pool.

The County's current investment policy (the "Investment Policy") was last revised on January 11, 2011. The County's Investment Policy is approved annually by the County Treasury Oversight Committee and the Board of Supervisors. Copies of the approved Investment Policy are circulated annually to local agencies with funds on deposit in the Investment Pool.

The Treasury Oversight Committee is established by the Board of Supervisors to advise the County Director of Finance in the management and investment of the Investment Pool. Members of the Oversight Committee represent the County and other local governments, which together comprise the Investment Pool and other segregated investments. Members of the Oversight Committee are nominated by the County Director of Finance and confirmed by the Board of Supervisors and include the following: (i) County Director of Finance, (ii) representative appointed by the Board of Supervisors, (iii) representative selected by a majority of the presiding officers of the governing bodies of the school districts in the County that are required or authorized to deposit funds in the Investment Pool, (iv) County Superintendent of Schools or his/her designee, (v) representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts in the County and (vi) members of the public that have expertise in, or an academic background in, public finance.

The Oversight Committee approves the Investment Policy, reviews and monitors the County Director of Finance's quarterly investment reports, reviews depositories for County funds and broker/dealers and banks as approved by the County Director of Finance, and causes an annual audit to be conducted to determine the Investment Pool's compliance with all relevant investment statutes and ordinances as well as the Investment Policy.

The Investment Policy states that preservation of principal and maintenance of liquidity is of primary concern, with earnings to be at market rates of return commensurate with minimum levels of risk.

As of September 30, 2012, the book value of the Investment Pool was $3,515,029,398.29 and the market value was $3,531,528,122.67. The following table summarizes the composition of the Investment Pool as of September 30, 2012.

SANTA CLARA COUNTY INVESTMENT POOL
Portfolio Composition
As of September 30, 2012

Type of Maturity	Book Value	Market Value
Local Agency Investment Fund	$40,000,000.00	$40,048,785.72
Negotiable Certificates of Deposit	25,000,000.00	25,086,025.00
Mortgage Backed Securities	2,272,195.30	2,252,476.72
Repurchase Agreements	124,999,999.99	124,999,999.99
Federal Agency Bonds	2,229,024,804.29	2,242,033,081.28
U.S. Treasury Notes	40,074,059.01	40,079,680.00
Corporate Bonds	340,386,070.02	343,336,026.88
FDIC Guaranteed Corporate Bonds	89,729,404.89	89,772,818.80
NCUA Guaranteed Corporate Bonds	93,249,879.60	93,409,680.60
Asset Backed Securities	121,438,670.48	121,256,904.11
Municipal Bonds	74,137,523.13	74,478,098.65
Commercial Paper, Discount Notes	229,926,409.97	229,970,741.50
Federal Agency, Discount Notes	49,965,968.19	49,979,390.00
Money Market Funds	54,824,413.42	54,824,413.42
Total	$3,515,029,398.29	$3,531,528,122.67

Source: County of Santa Clara Finance Agency.

As of September 30, 2012, the Investment Pool had 2.7% invested in cash equivalent-money market funds, 20.8% of its assets invested in securities maturing in 90 days or less, 22.0% of its assets invested in securities maturing between 90 days and one year, 31.1% maturing in one to two years, and 23.4% of its assets invested in securities maturing in over two years. As of September 30, 2012, the Investment Pool's yield was 0.78%.

The County reports that it has no leveraged funds in the Investment Pool. The County reports that none of the Investment Pool is invested in derivatives. The County reports that it is current practice for the Director of Finance to mark the portfolio to market on a quarterly basis. Such evaluations are performed by the County. The County reports that it expects the Investment Pool will have sufficient liquid funds to meet disbursement requirements of participants through the next six months.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "THE BONDS—Security.") Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 98, 111, 218 and 39, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes and of the District to spend tax proceeds and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.

Article XIIIA of the California Constitution

Article XIIIA of the California Constitution limits the amount of any *ad valorem* tax on real property, to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." The full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

Proposition 46

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

Proposition 39

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

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

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

Legislation Implementing Article XIIIA

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

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls, with tax rates expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the California Constitution

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

Unitary Property

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

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

California Lottery

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

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In 2011-12, the District received $693,154 in State Lottery aid and has budgeted $640,310 for such aid in 2012-13. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

Article XIIIC and XIIID of the California Constitution

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

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

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

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 26 and 98 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting the District's revenues or their ability to expend revenues.

TAX BASE FOR REPAYMENT OF BONDS

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

***Ad valorem* Property Taxation**

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

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 20, respectively, and a 10% penalty attaches immediately to any delinquent payments. Property on the secured roll with delinquent taxes become tax defaulted on or about June 30 of the fiscal year.. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month from the time of becoming tax delinquent to the time of redemption, plus costs and a redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Treasurer.

Property taxes on the unsecured roll are due on February 1 and if unpaid become delinquent on August 1. A penalty of 1% attaches immediately to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property improvements or possessor's interest belonging or assessed to the delinquent taxpayer.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor of the County, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25% of the full value of property. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

The table below shows the assessed valuation in the District for fiscal years 2008-09 to 2012-13.

Historic Assessed Valuations
Fiscal Years 2009-2013

Fiscal Year	Local Secured	Utility	Unsecured	Total
2008-09	$13,473,828,710	—-	$153,257,150	$13,627,085,860
2009-10	14,014,242,300	—-	162,754,581	14,176,996,881
2010-11	13,864,148,510	—-	151,532,903	14,015,681,413
2011-12	14,329,396,773	—-	136,293,017	14,465,689,790
2012-13	15,076,574,802	—-	129,074,735	15,205,649,537

Source: California Municipal Statistics, Inc.

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

Assessed Valuation and Parcels by Land Use
Fiscal Year 2012-13

	2012-13 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$ 34,649,388	0.23%	69	0.47%
Commercial/Office	948,772,750	6.29	581	3.93
Industrial	1,550,644	0.01	7	0.05
Recreational	26,572,229	0.18	6	0.04
Government/Social/Institutional	8,526,429	0.06	46	0.31
Miscellaneous	11,542,986	0.08	51	0.34
Subtotal Non-Residential	$1,031,614,426	6.84%	760	5.14%
Residential:				
Single Family Residence	$12,792,098,359	84.85%	11,818	79.88%
Condominium/Townhouse	830,937,582	5.51	1,821	12.31
Mobile Home	36,862	—-	1	0.01
2-4 Residential Units	42,043,507	0.28	80	0.54
5+ Residential Units/Apartments	241,819,013	1.60	64	0.43
Subtotal Residential	$13,906,935,323	92.24%	13,784	93.17%
Vacant Parcels:	$ 138,025,053	0.92%	250	1.69%
Total	$15,076,574,802	100.00%	14,794	100.00%

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

Assessed Valuation of Single-Family Residential Properties. The following table focuses on single-family residential properties only, which comprise approximately 85% of the secured assessed value of taxable property in the District. The average assessed value per parcel is $1,082,425, and the median assessed value per parcel is $895,212.

Assessed Valuation of Single Family Homes
Per Parcel
Fiscal Year 2012-13

	No. of Parcels	2012-13 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	11,818	$12,792,098,359	$1,082,425	$895,212

2012-13 Assessed Valuation	No. of Parcels [(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $99,999	528	4.468%	4.468%	$ 43,102,099	0.337%	0.337%
$100,000 - $199,999	1,756	17.859	19.326	249,616,486	1.951	2.288
$200,000 - $299,999	627	5.305	24.632	153,144,183	1.197	3.485
$300,000 - $399,999	445	3.765	28.397	155,976,881	1.219	4.705
$400,000 - $499,999	492	4.163	32.561	221,098,685	1.728	6.433
$500,000 - $599,999	488	4.129	36.690	270,013,351	2.111	8.544
$600,000 - $699,999	547	4.629	41.318	356,014,119	2.783	11.327
$700,000 - $799,999	552	4.671	45.989	412,841,351	3.227	14.554
$800,000 - $899,999	503	4.256	50.245	428,536,840	3.350	17.904
$900,000 - $999,999	498	4.214	54.459	474,327,211	3.708	21.612
$1,000,000 - $1,099,999	498	4.214	58.673	522,083,539	4.081	25.694
$1,100,000 - $1,199,999	425	3.596	62.269	487,237,410	3.809	29.503
$1,200,000 - $1,299,999	400	3.385	65.654	499,841,264	3.907	33.410
$1,300,000 - $1,399,999	481	4.070	69.724	649,641,653	5.078	38.488
$1,400,000 - $1,499,999	461	3.901	73.625	668,580,021	5.227	43.715
$1,500,000 - $1,599,999	429	3.630	77.255	663,622,095	5.188	48.903
$1,600,000 - $1,699,999	362	3.063	80.318	596,632,552	4.664	53.567
$1,700,000 - $1,799,999	327	2.767	83.085	571,983,198	4.471	58.038
$1,800,000 - $1,899,999	212	1.794	84.879	391,877,967	3.063	61.102
$1,900,000 - $1,999,999	226	1.912	86.791	440,224,184	3.441	64.543
$2,000,000 and greater	1,561	13.209	100.000	4,535,703,270	35.457	100.000
Total	11,818	100.000%		$12,792,098,359	100.000%	

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

Largest Taxpayers in District. The twenty taxpayers in the District with the greatest combined assessed valuation of taxable property on the 2012-13 tax roll, and the assessed valuations thereof, are shown below.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and ability or willingness to pay property taxes. In 2012-13, no single taxpayer owned more than 0.38% of the total taxable property in the District. Each taxpayer listed is a unique entity. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table.

Largest 2012-13 Local Secured Taxpayers

	Property Owner	Primary Land Use	2012-13 Assessed Valuation	% of Total [1]
1.	Avalonbay Communities, Inc.	Apartments	$ 57,378,202	0.38%
2.	BP West El Camino LLC	Office Building	49,796,577	0.33
3.	MGP IX CP Venture LLC	Commercial Land	42,200,231	0.28
4.	St. Paul Fire & Marine Insurance Co.	Office Building	41,333,262	0.27
5.	San Antonio Center LLC	Shopping Center	28,868,287	0.19
6.	Los Altos Gardens I LP	Apartments	28,185,439	0.19
7.	Douglas M. Leone	Residential	25,484,700	0.17
8.	Compass Grand Los Altos LLC	Shopping Center	21,839,716	0.14
9.	Pacific Retail Master LP	Shopping Center	21,658,293	0.14
10.	KRC Los Altos LP	Residential Care Facility	21,232,298	0.14
11.	West Fremont Office Corp.	Office Building	19,890,000	0.13
12.	SI 29 LLC	Office Building	19,469,592	0.13
13.	4 Seasons Associates LLC	Hotel	19,301,940	0.13
14.	Palo Alto Medical Foundation	Office Building	18,454,406	0.12
15.	Diane M. Santos	Shopping Center	17,904,559	0.12
16.	Los Altos Hotel Associates LLC	Hotel	17,143,589	0.11
17.	Book LLC	Undeveloped	15,786,638	0.10
18.	Village Court Partners	Commercial	15,620,965	0.10
19.	Palo Alto Bowl LLC	Planned Hotel/Residential	15,563,299	0.10
20.	Mark and Karen S. Jung	Residential	13,553,229	0.09
			510,665,222	3.39%

Source: California Municipal Statistics, Inc.
[1] 2012-13 Local Secured Assessed Valuation: $15,076,574,802.

The table below summarizes the typical tax rates levied by the County for the District for TRA 11-001.

2012-13 Typical Total Tax Rate (TRA 11-001 – 2012-13 Assessed Valuation: $7,581,613,134)

General Tax Rate	1.00000
County Retirement	.03880
County Library Retirement	.00240
County Hospital Bonds	.00510
Los Altos School District	.05790
El Camino Hospital District	.01290
Foothill-De Anza Community College District	.02870
Mountain View-Los Altos Union High School District	.01390
Total All Property	1.15970
State Water Project	.00690
Total	.00690

Source: California Municipal Statistics, Inc.

Appeals and Adjustments of Assessed Valuations

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

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date. No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

Tax Levies and Delinquencies

The recent history of real property tax collections and delinquencies in the District for the payment of debt service on general obligation bonds is shown in the following table.

Secured Tax Charges and Delinquencies
Bond Debt Service Levy

Fiscal Year	Secured Tax Charge [1]	Amt. Del. June 30	% Del. June 30
2006-07	$6,338,456.95	$51,803.22	.82%
2007-08	6,727,926.27	54,443.85	.81
2008-09	7,003,562.02	99,732.28	1.42
2009-10	7,450,153.28	92,979.29	1.25
2010-11	8,254,952.73	75,084.35	.91
2011-12	8,433,407.58	54,992.76	0.65

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

Taxation of State-Assessed Utility Property

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

Changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, nonutility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation or litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District.

Alternative Method of Tax Apportionment

In June of 1993, the Board of Supervisors of the County approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis (irrespective of actual collections) to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan was effective for the fiscal year commencing July 1, 1993, and pursuant to the Teeter Plan the County purchased all delinquent receivables (comprised of delinquent taxes, penalties, and interest) which had accrued as of June 30, 1993, from local taxing entities and selected special assessment districts and community facilities districts. Under the Teeter Plan, the County distributes tax collections on a cash basis to taxing entities during the fiscal year and at year-end distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities and those special assessment districts and community facilities districts which the County determines are eligible to participate in the Teeter Plan.

The County reserves the right to exclude from the Teeter Plan any special tax levying agency or assessment levying agency if such agency has provided for accelerated foreclosure proceedings in the event of non-payment of such special taxes or assessments except that, if such agency has a delinquency rate in the collection of such special tax or assessment as of June 30 of any fiscal year that is equal to or less than the County's delinquency rate on the collection of current year *ad valorem* taxes on the countywide secured assessment roll, such agency's special taxes or assessments may, at the County's option, be included in the Teeter Plan.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors of the County may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secure tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. If the Teeter Plan is discontinued subsequent to its implementation, secured property taxes would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency as collected (see "Ad Valorem Property Taxation" above).

THE DISTRICT

General Information

The District, founded in 1909, is an elementary school district serving students from kindergarten to grade eight. The district boundaries include most of the City of Los Altos, half of the Town of Los Altos Hills, parts of the cities of Mountain View and Palo Alto, and some unincorporated lands in Santa Clara County. The District serves a general population estimated at 40,645 in an area of approximately 20 square miles.

The District operates seven elementary schools (K-6) and two intermediate schools (7-8), with a current enrollment of 4,500 students.

The District is governed by a Board of Trustees consisting of five members. Members are elected to four-year terms in staggered elections. The day-to-day operations are managed by a Board-appointed Superintendent of Schools. Jeffrey Beier has served in this capacity since July, 2010.

The years in which the current terms for each member of the District Board expire are set forth below:

Board of Trustees

Name	Office	Term Expires (November)
Mark Goines	President	2014
Doug Smith	Vice President	2014
Tamara Logan	Clerk	2014
Pablo Luther	Member	2016
Steve Taglio	Member	2016

Average Daily Attendance

The following table reflects the District's historical A.D.A. for the last four years and projections for 2011-12 and 2012-13.

Average Daily Attendance

Academic Year	Average Daily Attendance at P-2	Enrollment
2007-08	4,158	4,265
2008-09	4,156	4,245
2009-10	4,197	4,287
2010-11	4,301	4,384
2011-12 [1]	4,387	4,477
2012-13 [1]	4,442	4,558

Source: Los Altos School District
(1) Projected

District Employees

The District employs approximately 238 full-time equivalent certificated employees and 138 full-time equivalent classified employees and 19 management personnel. There are two formal bargaining organizations that are active in the District.

Labor Relations

Labor Organization	Number of Employees In Organization	Contract Expiration Date
Los Altos Teachers Association	239	June 30, 2012
California Schools Employees Association	124	June 30, 2012

Source: Los Altos School District.

Retirement System

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

California Public Employees' Retirement System (CalPERS)

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

Funding Policy - Active plan members are required to contribute 7% of their salary (7% of monthly salary over $133.33, if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011 was 10.707% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2011, 2010 and 2009 were $740,460, $528,212 and $505,982, respectively, and equal to 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

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

Funding Policy - Active plan members are required to contribute 8% of their salaries and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2011, 2010 and 2009 were $1,643,718, $1,652,347 and $1,690,765, respectively, and equal to 100% of the required contributions for each year.

See NOTE 11—EMPLOYEE RETIREMENT PLANS in APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011.

Other Post-Employment Benefits (OPEB)

The Los Altos School District Retiree Healthcare Plan is a single-employer defined benefit healthcare plan administered by the District. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the District, its management employees, and unions representing District employees. The District provides retiree medical benefits through the California Public Employees' Retirement System healthcare program (PEMHCA). The District contributes up to the highest monthly PEMHCA premium, excluding PERSCare, for employees hired before certain dates in 1988 and 1989 which vary by bargaining group (95% of this benefit provided if retired on or after July 1, 2006). The District contributes to PEMHCA minimum to employees hired after these dates (35 years of District service is required if retired after May 1, 2011). The District also provides medical coverage through Merchant Industry Trust to 5 grandfathered retirees Dental and dependent coverage are only provided to Management and Confidential employees hired before July 1, 1989 and November 1, 1988, respectively. No vision or life insurance benefits are provided.

As of January 1, 2010, plan membership consisted of 418 active participants and 180 retirees and beneficiaries, with 163 currently receiving benefits. Copies of the Plan's annual audited financial reports are not available.

Funding Policy – There is no statutory requirement for the District to prefund its OPEB obligation. The District has currently chosen to pay plan benefits on a pay-as-you-go basis. There are no employee contributions. For fiscal years 2010-11 and 2009-2010, the District paid $861,796 and $899,199 for retiree healthcare plan benefits. The Annual Required Contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC is equal to the normal cost plus a 30-year amortization of the unfunded actuarial liability.

The following table, based on the District's actuarial valuation as of January 1, 2009, shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's Net OPEB obligation:

Annual required contribution	$1,265,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	277,093
Annual OPEB cost (expense)	1,542,093
Contributions made	(861,796)
Increase in net OPEB obligation	680,297
Net OPEB obligation, beginning of year	654,844
Net OPEB obligation, end of year	1,335,141

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2008-09 and 2010-11 are as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2009	$ 1,280,000	77.89%	$ 283,043
2010	1,271,000	70.75	654,844
2011	1,542,093	55.88	1,335,141

See NOTE 12—OTHER POSTEMPLOYMENT BENEFITS in APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011.

District Investments

Substantially all District operating funds are held by the Santa Clara Director of Finance and invested pursuant to the County's investment policies. The County's cash management and investment program is generally coordinated on a "pooled" basis. See COUNTY OF SANTA CLARA POOLED INVESTMENT FUND."

Risk Management

The District participates in five joint powers agreement ("JPA") entities: the South Bay Area Schools Insurance Authority, the Schools Excess Liability Fund, the Santa Clara County Schools Insurance Group, Community Health Awareness Council, and the Silicon Valley Joint Powers Transportation Agency. A board consisting of a representative from each member district governs each JPA. The governing boards control the operation of the JPAs independent of any influence by the District beyond the District's representation on the governing board. Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the governing board. Member districts share surpluses and deficits proportionately to their participation. The relationship between the District and each JPA is such that each JPA is not a component unit of the District for financial reporting purposes.

See NOTE 9—JOINT POWERS AGREEMENTS in APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011 for a detailed table showing coverage offered by each JPA to the District.

DISTRICT FINANCIAL INFORMATION

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

General

The District has historically employed conservative budgeting practices that have maintained strong and steady general fund balances. In addition, the District has maintained significant reserves in its special reserve fund, a large part of which is funded from one-time settlement monies received from the Federal government in fiscal year 2005-06 and is freely available to the general fund. The District receives additional operating revenues from lease revenues, which generate over $4.3 million annually. The District voters passed a parcel tax in March 2004, which generates approximately $1.83 million in revenues annually for the District.

District Budget

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

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 8 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than September 22, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget may be disapproved.

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

Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent two fiscal years. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

In connection with its First Interim Report for 2012-13, the District was certified as "positive," because, based upon then current projections, the District will meet its financial obligations for the current fiscal year or two subsequent fiscal years.

General Fund Budget

The District's general fund actual results for the fiscal years ended June 30, 2010, 2011 and 2012, and the proposed general fund budget for the fiscal year ending June 30, 2013, are set forth below:

GENERAL FUND BUDGET
Comparison of Actuals for Fiscal Years Ended June 30, 2010, 2011 and 2012
and Budget for Fiscal Year Ending June 30, 2013

	Actuals 2009/10 [(a)]	Actuals 2010/11 [(a)]	Unaudited Actuals 2011/12 [(b)]	Projected 2012/13 [(c), (e)]
Revenues				
Revenue Limit Sources	$ 26,275,514	$ 25,458,478	$ 26,170,118	$ 25,852,585
State Aid				
Property Taxes				
Federal Revenue	1,932,612	1,783,741	1,005,829	944,483
Other State Revenue	2,567,382	2,115,088	1,638,884	1,547,771
Other Local Revenue	12,600,171	13,745,066	16,476,330	15,626,564
Total Revenues	43,375,679	43,102,373	45,291,161	43,971,403
Expenditures				
Certificated Salaries	20,146,577	19,854,449	19,793,946	20,215,655
Classified Salaries	6,191,239	6,622,268	6,351,681	6,525,681
Employee Benefits	8,411,161	9,269,958	9,379,352	9,430,808
Books and Supplies	1,818,732	1,626,460	1,745,635	1,355,420
Services, Other Operating Expenses	4,729,698	4,820,861	4,839,063	5,002,875
Capital Outlay	140,795	213,346	155,749	171,957
Other Outgo	332,803	336,143	332,802	338,303
Total Expenditures	41,771,005	42,743,485	42,598,228	43,040,699
Other Financing Sources/(Uses)				
Interfund Transfers In / Other Sources	185,484	1,215,930	—-	—-
Interfund Transfers Out / Other Uses	(275,848)	(1,364,462)	(296,030)	(148,015)
Total Other Financing Sources/(Uses)	(90,364)	(148,532)	(296,070)	(148,015)
Excess of Revenues Over (Under) Expenditures	1,514,310	210,356	2,396,903	782,689
Beginning Fund Balance	5,239,988	6,754,298	7,790,104	8,129,101
Prior Year Adjustments [(d)]	0	425,450	—-	—-
Ending Fund Balance	$ 6,754,298	$ 7,390,104	$ 9,787,007	$ 8,911,790
% of Expenditures	16.17%	17.29%	22.97%	20.71%
Restricted Fund Balance	2,108,405	2,383,056	3,969,728	1,520,958
Unrestricted Fund Balance	4,645,893	5,007,048	5,817,279	7,390,832

(a) Audited Financial Statements.
(b) To be approved by the Board on January 28, 2013.
(c) 2012/13 Adopted Budget.
(d) To comply with GASB 54, the beginning general fund balance was restated to include the Special Reserve fund for Other Than Capital Outlay and Special Reserve Fund for Post Employment Benefits, beginning fiscal year 2010/11.
(e) The 2012/13 Figures reflect information for the general fund only; fund balances have been updated based on unaudited actual figures.

Audited Financial Statements

The California State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual.

GENERAL FUND
Revenues, Expenditures and Fund Balance
Fiscal Years 2008-09 through 2010-11

	Audited 2008-09	Audited 2009-10	Audited 2010-11
Revenues			
Revenue Limit Sources	$25,299,763	$ 26,275,514	$25,458,478
Federal Revenue	1,075,398	1,932,612	1,783,741
Other State Revenue	4,266,866	2,567,382	2,115,088
Other Local Revenue	12,896,722	12,600,171	13,745,066
Total Revenues	45,538,749	43,375,679	43,102,373
Expenditures			
Current:			
Instruction	28,715,203	28,001,455	28,816,637
Instruction-related services			
Supervision of instruction	1,074,403	1,262,974	1,157,483
Instructional library, media, and technology	399,804	311,464	326,008
School site administration	2,443,401	2,443,918	2,379,907
Pupil services			
Home-to-school transportation	323,729	273,193	256,647
Food services	87,929	98,674	110,721
All other pupil services	1,731,507	1,874,735	2,001,166
General administration			
Data processing	363,357	361,469	489,844
All other general administration	2,208,063	2,595,892	2,380,088
Plant services	3,930,710	4,011,256	4,311,634
Other educational programs			3,340
Facility acquisition and construction	11,299	24,333	17,385
Debt service			
Principal	141,136	137,690	144,336
Interest and Fees	455,063	373,952	348,289
Total Expenditures	41,885,604	41,771,005	42,743,485
Other Financing Sources (Uses):			
Transfers In	-	185,484	1,215,930
Transfers Out	-	(275,848)	(1,364,462)
Total Other Financing Sources (Uses)	-	(90,364)	(148,532)
Net change in Fund Balance	1,653,145	1,514,310	210,356
Fund Balances, July 1	3,586,843	5,239,988	6,754,298
Prior Period Adjustment			425,450
Fund Balances Beginning as Adjusted			7,179,748
Fund Balances, June 30	$ 5,239,988	$ 6,754,298	$ 7,390,104

Source: Los Altos School District audited financial statements.

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

Revenue Sources

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

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated Under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying (1) the actual daily attendance for such district by (2) a base revenue limit per unit of average daily attendance ("A.D.A."). The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

Funding of the District's revenue limit is provided by a mix of (1) local property taxes and (2) State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the District's revenue limit and its local property tax revenues.

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

The revenue limit sources comprised approximately 57.78% of general fund revenues in fiscal year 2011-12 and are estimated to equal approximately 58.79% of such revenues in fiscal year 2012-13.

Federal Revenues. The federal government provides funding for District programs. The federal revenues, most of which are restricted, comprised approximately 2.22% of general fund revenues in fiscal year 2011-12 and are estimated to equal approximately 2.15% of such revenues in fiscal year 2012-13.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives other State categorical revenues.

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Economic Impact Aid, Class Size Reduction Program, home-to-school transportation and instructional materials. Other State revenues comprised approximately 3.62% of general fund revenues in fiscal year 2011-12 and are estimated to equal approximately 3.57% of such revenues in fiscal year 2012-13.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings, leases and rentals, special education support and other local sources. Other local revenues comprised approximately 36.38% of general fund revenues in fiscal year 2011-12 and are estimated to equal approximately 35.54% of such revenues in fiscal year 2012-13.

Parcel Tax

In 1989 voters in the District passed a parcel tax measure (Measure A) to support its educational program. The 1989 tax assessment was $168 per parcel. In 1997, voters approved an increase in the parcel tax to $264. In November 2002, voters approved another increase, making the current tax $597 per parcel. This tax generates $7.5 million annually for the District. Starting in 2011-12 taxpayers are paying an additional $193 per parcel as a result of a recent tax election-but only for six years.

Debt Structure

The District has never defaulted on the payment of principal or interest on any of its indebtedness.

Short-Term Obligations. On July 3, 2012, the District issued $5,500,000 in tax and revenue anticipation notes which are due on June 28, 2013.

Long-Term Obligations.

General Obligation Bonds - The District has bonds outstanding under one voter approved bond authorization. On November 3, 1998, voters of the District approved Measure H, authorizing the District to issue up to $94.7 million of general obligation bonds. The District issued these bonds in three series (one of which was comprised of both current interest bond and capital appreciation bond components) which are described in the table below. The District has issued substantially all bonds authorized under Measure H, and only a small amount of bonds remain authorized and unissued. In addition, the District has issued refunding bonds on one occasion (comprised of both current interest bond and capital appreciation bond components) which is also described in the table below.

General Obligation Bonded Debt

Issue Date	Series	Amount of Original Issue	Original Final Maturity	Amount Counting Toward Authorization	Amount Outstanding June 30, 2012 [(b)]
2/10/99	Election of 1998, Series A [(a)]	$40,000,000.00	8/1/2023	$40,000,000.00	$ —-
6/5/01	Election of 1998, Series B (CIBs) [(a)]	30,000,000.00	8/1/2019	30,000,000.00	—-
6/5/01	Election of 1998, Series B (CABs) [(a)]	16,166,049.00	8/1/2025	16,166,049.00	—-
10/7/03	Election of 1998, Series C (a)	8,000,000.00	8/1/2026	8,000,000.00	—-
6/22/06	2006 GO Refunding Bonds (CIBs) [(c)]	92,215,000.00	8/1/2023	0.00	76,955,000
6/22/06	2006 GO Refunding Bonds (CABs)	8,854,000.00	8/1/2015	0.00	6,648,480
		$195,768,049.00		$94,699,049.00	$83,603,480

(a) The 2006 GO Refunding Bonds refunded all of the District's outstanding 1999 GO Bonds (Election of 1998, Series A) on a current basis, all of the District's outstanding 2001 GO Bonds (Election of 1998, Series B) on an advance basis, and all of the District's outstanding 2003 GO Bonds (Election of 1998, Series C) on an advance basis.
(b) Amount outstanding for capital appreciation represents original denominational amount.
(c) The Bonds of this issue will refund $26,145,000 of the current interest 2006 Bonds.

Site Lease Deposits - In June 2008, the District entered into a lease-leaseback agreement in which the Bullis-Purissima School site, located on 25890 Fremont Road, Los Altos Hills, California, (owned by the District) was leased to a third party for a $2,165,000 advance and subsequently leased back to the District pursuant to a 20 year operating lease. The District retained ownership of the underlying land and, therefore. accounted for the transaction under the deposit method of accounting as a lease purchase.

In October 2008, the District entered into a lease-leaseback agreement in which a site in Los Altos Hills, California, (owned by the District) was leased to a third party for a $2,025.000 advance and subsequently leased back to the District pursuant to a 20 year operating lease. The District retained ownership of the underlying land and. therefore. accounted for the transaction under the deposit method of accounting as a lease purchase.

The principal and interest payments on the lease are payable twice a year and began in January of 2008 and end in November of 2029. The following is a schedule of the future minimum lease payments required under the lease:

Operating Leases

Year Ending June 30,	Principal	Interest	Total
2012	$ 151,303	$ 181,500	$ 332,803
2013	158,606	174,197	332,803
2014	166,261	166,541	332,802
2015-2019	959,711	704,301	1,664,012
2020-2024	1,214,791	449,221	1,664,012
2025-2029	1,190,853	132,587	1,323,440
Total Lease Payable	$3,985,861	$1,996,813	$5,982,674

Operating Leases: The District has entered into various operating leases for portables, building space and office equipment with lease terms in excess of one year. None of these agreements contain purchase options. All of the agreements contain termination clauses providing for lease cancellation after written notice is provided to the lessors. However, it is unlikely that the District will cancel any of the agreements before the expiration dates. It is expected that in the normal course of business most of these leases will be replaced by similar leases. None of the leases have been sublet. The rent expense for the fiscal year ended June 30, 2010 was $847,742 and the annual minimum lease payment is expected to be approximately $681,000 for each of the next five years.

Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and effective June 30, 2012. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the District; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the District; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the District, as determined by multiplying the total outstanding debt of each agency by the percentage of the District's assessed valuation represented in the second column.

Statement of Direct and Overlapping Bonded Debt

2012-13 Assessed Valuation: $15,205,649,537

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/30/12
Santa Clara County	4.927%	$ 15,608,736
Foothill-De Anza Community College District	14.557	91,479,724
Mountain View-Los Altos Union High School District	48.955	23,484,528
Los Altos School District	**100.**	**83,603,480**
City of Palo Alto	0.660	359,964
City of Los Altos 1915 Act Bonds (Estimate)	80.271-100.	827,399
City of Los Altos Hills Assessment District No. 1	100.	1,940,000
El Camino Hospital District	26.711	38,004,411
Santa Clara Valley Water District Benefit Assessment District	4.927	6,574,589
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$261,882,831
OVERLAPPING GENERAL FUND DEBT:		
Santa Clara County General Fund Obligations	4.927%	$37,984,559
Santa Clara County Pension Obligations	4.927	18,872,126
Santa Clara County Board of Education Certificates of Participation	4.927	568,576
Foothill-DeAnza Community College District Certificates of Participation	14.557	2,749,817
Mountain View-Los Altos Union High School District Certificates of Participation	48.955	2,795,331
City of Los Altos Certificates of Participation	80.003	1,484,056
City of Mountain View Certificates of Participation	11.684	1,606,550
Other City General Fund Obligations	Various	55,900
Midpeninsula Regional Park District and General Fund Obligations	8.895	12,317,326
Santa Clara Valley Vector Control District Certificates of Participation	4.927	178,850
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$78,613,091
Less: City of Mountain View Certificates of Participation (100% supported from tax increment revenues)		1,175,995
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$77,437,096
GROSS COMBINED TOTAL DEBT		$340,495,922 (1)
NET COMBINED TOTAL DEBT		$339,319,927

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

Ratios to 2012-13 Assessed Valuation:

Direct Debt ($83,603,480).. 0.55%
Total Direct and Overlapping Tax and Assessment Debt.. 1.72%
Gross Combined Total Debt 2.24%
Net Combined Total Debt 2.23%

Source: California Municipal Statistics, Inc.

STATE FUNDING OF PUBLIC EDUCATION

The information in this section concerning State funding of public education is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from State revenues. The Bonds are payable from the proceeds of an ad valorem tax, approved by the voters of the District pursuant to applicable laws and Constitutional requirements, and required to be levied by the County on all taxable property in the District in an amount sufficient for the timely payment of principal and interest on the Bonds.

Revenue for Public Education

Sources of Revenue. The State's K-12 education system is supported primarily from State revenues, mostly sales and income taxes. The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES & EXPENDITURES). As a result, changes in State revenues may affect appropriations made by the State to school districts. State revenue sources for school districts are supplemented with local property taxes, federal aid, local miscellaneous funds, and the State Lottery.

In recent years, approximately 58% of all funds for K-12 public education came from the State budget, which is required to be proposed by the Governor by January 10 and adopted by June 15 of each year (although the State often is late adopting the budget). Approximately 21% of funding for K-12 education comes from local property taxes. The State Constitution limits property taxes to one percent of the value of property; property taxes may only exceed this limit to repay voter approved debt.

Statewide, approximately 13% of school districts' revenues come from the federal government, and about 6% come from local miscellaneous sources. The latter category includes items such as food sales, money for debt repayment, interest on reserves and, in some cases, more significant sources such as developer fees and parcel taxes. Developer fees are fees that school districts can levy on new residential or commercial development within their boundaries to finance the construction or renovation of school facilities. Many school districts also seek grants or contributions, sometimes channeled through private foundations established to solicit donations from local families and businesses. School districts that still have unused school buildings or sites can lease or sell them for miscellaneous income as well. A significant number of school districts have secured the required two-thirds approval from local voters to levy special taxes on parcels or residences and/or have won voter approval, with either a two-thirds vote or a 55% majority, to sell general obligation bonds or to establish special taxing districts for the construction of schools. Use of such taxes is restricted by law.

The final revenue source for school districts is the State Lottery. Approved by voters in late 1984, the lottery generates about 1% of total school revenues. Every three months the Lottery Commission calculates 34% of lottery proceeds for all public education institutions, the minimum according to the lottery law. Every K-14 school district receives the same amount of lottery funds per pupil from the State, which may be spent for any instructional purpose, excluding capital projects.

No other source of general purpose revenue is currently permitted for schools. Proposition 13 eliminated the possibility of raising additional ad valorem property taxes for general school support, and the courts have declared that fees may not be charged for school-related activities other than for busing services.

The State Revenue Limit. The State Revenue Limit was first instituted in 1973-74 to provide a mechanism to calculate the amount of general purpose revenue a school district, community college district or county board of education is entitled to receive from State and local sources. Each school district has its own target amount of funding from State funds and local property taxes per average daily attendance. ADA is the average number of pupils attending school over the year. This target is known as revenue limit, and the funding from this calculation forms the bulk of all school districts' income. The State Legislature usually grants annual cost-of-living adjustments (COLAs) to revenue limits. The exact amount depends on whether the school district is an elementary, high school or a unified school district.

Apportionments for revenue limits are calculated three times a year for each school district, community college district and county board of education. The first calculation is performed for the February 20th First Principal Apportionment (based on Period 1 ADA determined in December), the second calculation for the June 25th Second Principal Apportionment (based on Period 2 ADA determined in April), and the final calculation for the end of the year Annual Apportionment (also based on Period 2 ADA). Calculations are reviewed by the county and submitted to the State Department of Education with respect to school districts and to the Chancellor of State Community Colleges with respect to community college districts, which, respectively, reviews the calculations for accuracy, calculates the amount of state aid owed to such school district or community college district, as the case may be, and notifies the State Controller of the amount, who then distributes the state aid.

School districts that receive their revenue limit income entirely from property taxes are called "basic aid" school districts. These school districts are permitted to keep their property tax money (even if it exceeds their revenue limit). As guaranteed in the State Constitution, the State must apportion $120 per pupil to all school districts. However, the categorical aid (see below) that basic aid school districts receive counts toward this requirement.

Distribution of Revenue for School Districts

General Purpose. The largest part of each school district's revenue funds general operating expenses associated with providing education, including salaries, benefits, supplies, textbooks and regular maintenance. As previously mentioned, the Revenue Limit governs the amount each school district receives. Each school district also receives some State and federal money for special programs, special costs, or categories of children with particular educational needs, called "categorical aid."

Categorical Aid. This special support goes into a school district's General Fund, but its expenditure is restricted to the purpose for which it is granted. About seventy-five percent (75%) of the total money generated for education is for general purposes, and about twenty-five percent (25%) is for categorical aid. The complex allocation system is adjusted somewhat by the State Legislature almost every year, with unpredictable effects on individual school districts. Additionally, in response to reductions in revenue limit funding for non-basic aid school districts, the State has, in recent years, reduced funding of categorical programs commensurately for basic aid school districts, known as "fair share reduction."

There are a number of major federal and State categorical aid programs. Some allocations come automatically to school districts, while others require an application. Some programs are based on the characteristics of the children or families in a particular school district, such as gifted and talented, non-English speaking, migrant, low income or handicapped students. Other programs are for specific activities or expenses, such as transportation, textbooks or childcare. Each year a large amount of aid is allocated directly to the STRS fund. For the past several years, supplemental grants have been directed to equalizing school districts' income from revenue limits plus specific categoricals. Most of the federal funds flow through the State Department of Education, which retains a certain percentage for administration.

In terms of dollars and the number of children served, the largest categorical aid program is Special Education under the Individual with Disabilities Act. According to court decisions and federal and State law, school districts are responsible for the appropriate education of each child with special needs from age 3 to 21 who lives within their boundaries. The allocations do not cover the cost of educating them. School districts are required to contribute a certain amount of general purpose funds for Special Education, and many spend much more. This is known as "encroachment."

School Facilities. Growing enrollments and/or aging facilities require school districts to build or make major renovations to school buildings. The income from developer fees on residential or commercial property is insufficient to fund all facilities costs. Voter approved general obligation bond moneys may only be used for purchase or improvement of real property, while Mello- Roos taxes can be used for this as well as for ongoing maintenance or purchase of needed equipment. A majority of voters has regularly approved state bond measures for the construction or reconstruction of schools.

State IOUs and Deferral

In recent years, fiscal stress and difficulties in achieving a balanced State budget have resulted in actions that include the State issuing IOUs (defined below) to its creditors, and the deferral of school funding.

On July 2, 2009, as a result of declines in State revenues commencing in fiscal year 2008-09, the State Controller began to issue registered warrants (or "IOUs") for certain lower priority State obligations in lieu of warrants (checks) which could be immediately cashed. The registered warrants, the issuance of which did not require the consent of recipients, bore interest. With enactment of an amended budget in late July, 2009, the State was able to call all its outstanding registered warrants for redemption on September 4, 2009. The issuance of state registered warrants in 2009 was only the second time the State has issued state registered warrants to such types of state creditors since the 1930s.

Furthermore, commencing in fiscal year 2008-09, to better manage its cash flow in light of declining revenues, the State has enacted several statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year, in order to more closely align the State's revenues with its expenditures. This technique has been used several times through the enactment of budget bills in fiscal years 2008-2009 through 2012-13. Some of these statutory deferrals were made permanent, and others were implemented only for one fiscal year. For fiscal year 2012-13, enacted K-12 inter-year deferrals total $7.4 billion; however, should a proposed tax initiative to be considered by voters at a November 2012 election fail, inter-year deferrals would increase to $9.5 billion.

Fiscal stress and cash pressures currently facing the State may continue or become more difficult, and continuing declines in State tax receipts or other results of the current economic recession may materially adversely affect the financial condition of the State. However, because the District is basic aid district and receives all of its revenue limit funding from local property taxes, the impact to the District from such deferrals are minimal.

The 2011-12 State Budget

The information in this section has been compiled from publicly available information through the State Department of Finance and the State Legislative Analyst's Office. Neither the District nor the Underwriter assume any responsibility for the accuracy of such information as set forth or incorporated by reference herein, although they believe that the information provided by the above-listed sources is reliable.

Adopted Budget. On June 30, 2011, the Governor signed into law the 2011-12 State budget (the "2011-12 State Budget"). The 2011-12 State Budget, including previously enacted legislation, closed a projected $26.6 billion budget gap through $15.0 billion in expenditure reductions, $0.9 billion in revenue increases and $2.9 billion in other solutions, which, combined with an increased State revenue forecast of $8.3 billion, resulted in a budgeted State general fund reserve of $543 million at the end of fiscal year 2011-12.

Funding for K-12 Education. The 2011-12 State Budget included total funding of $64.1 billion for all K-12 education programs ($34.7 billion from the State's general fund and $29.4 billion from other funds). The 2011-12 State Budget funded the Proposition 98 minimum funding requirement at $48.7 billion, of which $32.9 billion was budgeted from the State general fund.

The 2011-12 State Budget included a series of trigger reductions in the event the State's revenues were less than forecast. As part of the second series of such trigger reductions, had State revenues fallen short of projections by more than $2 billion in fiscal year 2011-12, up to $1.5 billion in reductions to school district revenue limit funding would have been implemented, with a corresponding reduction to the minimum school year length by seven days. In December 2012, the State announced, based on revised revenue estimates, trigger cuts for K-12 education totaling $79.6 million.

The 2012-13 State Budget

The information in this section has been compiled from publicly available information through the State Department of Finance and the State Legislative Analyst's Office. Neither the District nor the Underwriter assume any responsibility for the accuracy of such information as set forth or incorporated by reference herein, although they believe that the information provided by the above-listed sources is reliable.

Adopted Budget. On June 27, 2012, the Governor signed the fiscal year 2012-13 State budget (the "2012-13 Budget"). The 2012- 13 Budget closes a $15.7 billion budget gap and builds a reserve of nearly $1 billion with (i) $8.1 billion in expenditure reductions, (ii) $6 billion in increased revenues (which assumes the approval by the voters of the Governor's tax initiative, "The Schools and Local Public Safety Protection Act", at a November 2012 election) and (iii) $2.5 billion from certain loan and transfer measures.

The Schools and Local Public Safety Protection Act proposes to temporarily increase the personal income tax on the State's wealthiest taxpayers for seven years and increase the sales tax by 0.25% for four years. The measure would generate an estimated $8.5 billion in revenues through fiscal year 2012-13.

The 2012-13 Budget contains the following spending reduction measures:

- Reformation of existing K-14 education mandates claim process by providing a block grant as an alternative. For non-school mandates, provides a multiyear suspension of most mandates to provide greater flexibility to local governments. ($720 million savings)

•Creation of framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services. Assets transferred to schools will offset State general fund costs. ($1.5 billion savings)

•Other adjustments including using a fiscal year 2011-12 over-appropriation of the minimum guarantee to prepay Proposition 98 funding required by a court settlement. ($1.9 million savings)

State general fund revenues (including transfers) are budgeted to be approximately $95.9 billion in fiscal year 2012-13, an increase of 10.4% from a revised fiscal year 2011-12 State general fund revenues and transfers of $86.8 billion. State general fund expenditures are budgeted to be $91.4 billion in fiscal year 2012-13, an increase of 5.0% from a revised $87.0 billion figure for fiscal year 2011-12.

The following table identifies historical and budgeted State general fund revenues and expenditures.

State General Fund under the 2012-13 Budget

	2011-2 Revised (Millions)	2012-13 Budgeted (Millions)
Prior-year Fund Balance	$ (2,685)	$ (2,882)
Revenues and Transfers	86,830	95,887
Total Resources Available	84,145	93,005
Expenditures	87,027	91,338
Ending Fund Balances	(2,882)	1,667
Encumbrances	719	719
Reserve	(3,601)	948

Source: The California Department of Finance

K-12 Education. The 2012-13 Budget includes Proposition 98 funding of $53.6 billion, of which $36.8 billion is from the State general fund. This funding level assumes passage of The Schools and Local Public Safety Protection Act , which increases Proposition 98 funding by $2.9 billion in fiscal year 2012-13.

Other significant K-12 funding adjustments include:

• **Redevelopment Agency Asset Liquidation** – An increase of $1.3 billion in local property taxes for fiscal year 2012-13 to reflect the distribution of cash assets previously held by redevelopment agencies. The increase in local revenue reduces Proposition 98 State general fund contribution by an identical amount.

• **Proposition 98 Adjustments** – A decrease of approximately $630 million due to (i) eliminating the hold-harmless adjustment provided to schools from the elimination of the sales tax gasoline in 2010-11, and (ii) using a consistent current value methodology to rebench the guarantee for the exclusion of child care programs, the inclusion of special education mental health services, as well as new and existing property tax shifts. Additionally, the 2012-13 Budget reduces current year appropriations for a number of different programs by $220.1 million, backfilling them with one-time Proposition 98 general fund, which achieves State general fund savings by an identical amount.

• **Quality Education Investment Act** – A decrease of $450 million State general fund for fiscal year 2012-13. The overappropriation in fiscal year 2011-12 will be used to repay the $450 million required to be provided on top of the minimum guarantee in fiscal year 2012-13 pursuant to the California Teachers Association v. Schwarzenegger settlement agreement.

• **Deferrals** – An increase of $2.1 billion Proposition 98 State general fund to reduce K-12 inter-year deferrals to $7.4 billion.

• **Charter Schools** – An increase of $53.7 billion Proposition 98 State general fund for charter schools categorical programs to fund growth in enrollment. Additionally, legislation expands the ability of school districts to convey surplus property to charter schools, while also increasing financial assistance by allowing county treasurers to provide them with short-term cash loans, and by authorizing charter schools to utilize temporary revenue anticipation note borrowings.

• **Mandate Block Grant** – An increase of $86.2 million over the fiscal year 2011-12 funding level to provide a total of $166.6 million for K-12 mandates through a new voluntary block grant.

• **Child Care Costs** – Savings of $294.3 million in non-Proposition 98 State general fund through various cost-reduction measures, including reduction of provider contracts across the board and suspension of statutory COLA.

Litigation Challenging State Funding of Education

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

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

Future Budgets

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

For more information on the State Budget, please refer to the California Department of Finance's website at www.dof.ca.gov and to the Legislative Analyst's Office's website at www.lao.ca.gov.

GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

State Cash Management Legislation

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

On March 24, 2011, the Governor signed into law Senate Bill 82 ("SB 82"), which extended into fiscal year 2011-12 provisions of existing law designed to effectively manage the State's cash resources. SB 82 authorizes the deferral of State apportionments during fiscal year 2011-12, as follows: (i) $700 million from July 2011 to September 2011, (ii) $700 million from July 2011 to January 2012, (iii) $1.4 billion from August 2011 to January 2012, (iv) $2.4 billion from October 2011 to January 2012, and (v) $1.4 billion from March 2012 to April 2012. Collectively, these deferrals are referred to as the "Cash Management Deferrals." SB 82 required the State Department of Education was required to certify to school districts no later than April 15, 2011 which of the 2011-12 Cash Management Deferrals will be implemented, and in what amounts. On April 15, 2011, the Department of Education released a projected scheduled of State apportionments showing that all of the 2011-12 Cash Management Deferrals would be implemented. SB 82 provides for an exemption to the Cash Management Deferrals for a school district that would be unable to meet its expenditure obligations if its State apportionments are delayed. The District, however, did not apply for or receive exemption from any of the Cash Management Deferrals. In the event any of the Cash Management Deferrals are implemented, SB 82 requires that the State Controller, State Treasurer and State Treasurer review, as necessary but no less than monthly, the actual State general fund cash receipts and disbursements in comparison to the Governor's most recent revenue and expenditure projections. If the Controller, Treasurer and Treasurer-Tax Collector determine that sufficient cash is available to pay the State apportionments being deferred while maintaining a prudent cash reserve, such State apportionments are required to be paid as soon as feasible.

Litigation Challenging State Funding of Education

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

On January 14, 2011, the Superior Court dismissed major portions of the Robles Complaint, allowing the plaintiffs to proceed only on the question of whether the State's public education funding scheme provides equal opportunities to students throughout the State but rejecting that part that claimed that the State constitution mandates an overall qualitative standard for public education. On July 26, 2011, the Superior Court rejected the plaintiffs' amended complaint as not stating an equal protection claim but allowed them to amend their complaint, if filed by August 25. On August 22, 2011, the Superior Court granted the plaintiffs' request for an extension of time to file their amended complaint until September 26, 2011. No amended complaint was filed.

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

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

Significant Accounting Policies and Audited Financial Statements

The California State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. Vavrinek, Trine, Day & Company, LLP, Pleasanton, California, serve as independent auditors to the District and excerpts of their report for the fiscal year ended June 30, 2011, are attached hereto as APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2011. The District's auditors have not specifically approved the inclusion of such excerpts herewith.

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

Proposition 26

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

Proposition 98

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

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

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

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

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

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

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

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 26, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

Supplemental Information Concerning Litigation Against the State of California

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

On May 29, 2003, the California Court of Appeal for the Second District decided the case of *Steven White, et al. v. Gray Davis (as Governor of the State of California), et al*. The Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of state funds during a budget impasse only when payment is either (i) authorized by a "continuing appropriation" enacted by the Legislature, (ii) authorized by a self-executing provision of the California Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the California Constitution – the provision establishing minimum funding of K-14 education enacted as part of Proposition

98 – did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. The State Controller has concluded that the provisions of the Education Code establishing K-12 and county office revenue limit funding do constitute continuing appropriations enacted by the Legislature and, therefore, the State Controller has indicated that State payments of such amounts would continue during a budget impasse. However, no similar continuing appropriation has been cited with respect to K-12 categorical programs and revenue limit funding for community college districts, and the State Controller has concluded that such payments are not authorized pursuant to a continuing appropriation enacted by the Legislature and, therefore, cannot be paid during a budget impasse. The California Supreme Court granted the State Controller's Petition for Review on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal's decision was addressed by the State Supreme Court.

On May 1, 2003, with respect to the substantive question, the California Supreme Court concluded that the State Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those state employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act. The Supreme Court also remanded the preliminary injunction issue to the Court of Appeal with instructions to set aside the preliminary injunction in its entirety.

Propositions 1A and 22

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

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

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

State Funding of School Construction

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

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

State Retirement Programs

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

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

County Office of Education

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

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

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

Temporary Inter-fund Borrowing

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

Accounting Practices

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

Financial Statements - Note 1" in Appendix A herein for further discussion of applicable accounting policies.

County Investment Pool

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

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

FINANCIAL ADVISOR

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

LEGAL OPINIONS

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

TAX MATTERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE

The District has covenanted to provide such annual financial statements and other information in the manner required by Rule 15c2-12 of the Securities and Exchange Commission (17 C.F.R. § 240.15c-2-12) (the "Rule"). These covenants have been made in order to assist the

Underwriter in complying with the Rule. The District will execute a continuing disclosure certificate (the "Continuing Disclosure Certificate") for the benefit of the owners of the Bonds to provide certain financial information and operating data concerning the District to the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access system of certain events, pursuant to the requirements of section (b)(5)(i) of Rule 15c2-12. See APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE for a description of the Continuing Disclosure Certificate. A failure by the District to provide any information required thereunder will not constitute an Event of Default under the Resolution. The District has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

LEGALITY FOR INVESTMENT IN CALIFORNIA

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

ABSENCE OF MATERIAL LITIGATION

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

ESCROW VERIFICATION

The Verification Agent, upon delivery of the Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to (i) the sufficiency of the anticipated amount of proceeds of the Bonds and other funds available to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements of the Refunded 2006 Bonds and (ii) the "yield" of the deposits in the Refunded 2006 Bonds Escrow Fund and on the Bonds considered by Bond Counsel in connection with the opinion rendered by such firm that the Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

The report of the Verification Agent will include the statement that the scope of their engagement is limited to verifying mathematical accuracy, of the computations contained in such schedules provided to them, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

RATINGS

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

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

UNDERWRITING

The Bonds are being purchased by ____________ (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of $__________ (being equal to the aggregate principal amount of the Bonds of $_________), plus a net original issue premium of $__________, less the Underwriter's discount of $__________). The Underwriter has agreed to purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to the approval of certain legal matters by counsel and certain other conditions.

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

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Resolutions, the Continuing Disclosure Certificate of the District, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

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

LOS ALTOS SCHOOL DISTRICT

By ____
Assistant Superintendent, Business Services

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APPENDIX A

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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Fiscal Year Ended

June 30, 2011

Comprehensive Annual Financial Report

Los Altos School District

Los Altos, California

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Los Altos School District

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2011

Mr. Jeffrey C. Baier
Superintendent

Mr. Randall A. Kenyon
Assistant Superintendent, Business Services

Los Altos School District
201 Covington Road
Los Altos, California 94024
650-947-1150
www.losaltos.k12.ca.us

Los Altos School District
A K–8 School District
Santa Clara County, California

Los Altos School District
Los Altos, California

Los Altos School District, a K–8 school district, is located in the San Francisco Bay Area in Santa Clara County. We are in the northwest section of the county, with neighboring cities Palo Alto, Mountain View, and Cupertino.

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Introductory Section

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Los Altos School District
201 Covington Road
Los Altos, California 94024
Tel: (650) 947-1150 FAX: (650) 947-0118

December 9, 2011

To the Honorable Board of Trustees and Citizens of the Los Altos School District:

We hereby submit the Comprehensive Annual Financial Report of the Los Altos School District for the fiscal year ended June 30, 2011 (FY 2011). Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with district management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the district. All disclosures necessary to enable the reader to gain an understanding of the district's financial activities have been included.

This report is prepared in conformance with generally accepted accounting principles (GAAP) for governments as promulgated by the Government Accounting Standards Board (GASB). This report is consistent with legal reporting requirements of the State of California. The report also includes a "State and Federal Compliance Information" section which is designed to meet the reporting requirements of the Office of the California State Controller, the U. S. Government Accountability Office, the U. S. Office of Management and Budget, and the Single Audit Act Amendments of 1996.

The district's financial statements have been audited by Chavan & Associates, LLP, a certified public accounting firm. They have issued an unqualified ("clean") opinion on the district's financial statements for the fiscal year ended June 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

The report also includes a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). It provides an objective and easily readable analysis of the district's financial activities on both a short and long term basis. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The district's MD&A can be found immediately following the report of the independent auditor.

Profile of the District

Los Altos School District, one of thirty-three districts in Santa Clara County in California, is an elementary school district serving students from kindergarten to grade eight. We are located in the heart of Silicon Valley in the San Francisco Bay Area. The district boundaries include most of the City of Los Altos, half of the Town of Los Altos Hills, parts of the cities of Mountain View and Palo Alto, and some unincorporated county lands. Los Altos School District was founded in 1909. The district's mission statement is to inspire a passion for learning and preparing all K–8 students to thrive in our rapidly changing global community.

The district serves a general population estimated at 39,953 in an area of approximately 15 square miles. In FY 2011 the district employed 387 full-time equivalent workers. Of that total, 245 were certificated employees and 142 were classified employees. Certificated employees (teachers, psychologists and counselors, nurses, principals, and other administrators) require a credential as a condition of employment. Classified employees are those for whom having a credential is not a condition of employment. Classified employees include among others instructional aides, school secretaries and other clerical staff, custodians, and maintenance workers.

An elected five-member board of trustees governs the district. The board's duties and powers include establishing a long-term vision for the district; ensuring accountability to the local community; acquiring, maintaining, and disposing of property; developing a sound organizational structure and school program; adopting an annual budget; and, establishing a system of accounting and budgetary controls. Trustees are elected for four-year terms. The superintendent, Jeff Baier, runs the day-to-day operations of the district. The district is a public agency governed by the laws of the State of California. Los Altos School District is fiscally dependent on the Santa Clara County Office of Education. The district has no component units nor is it a component of any other entity.

The district has 4,477 students enrolled in nine schools—seven elementary (K–6) and two intermediate (7–8). Most of our students live in neighborhoods of relatively high socio-economic status. Many of the executive officers of our country's most prominent technology firms live within our district. The average home price in the city of Los Altos in 2010 was just under $1.75 million.

Economic Condition and Outlook

Two key factors having a significant impact on district revenues are growth in property values and state budget conditions. With the continuing recession (illustrated in part by a state-wide double digit unemployment rate—second highest in the nation), the state budget situation remains unstable. The state continues to face budget shortfalls as we start planning for the year ahead. It is unclear at this time how the state will solve its budget problem and what impact that will have on funding our schools. We need to be prepared for additional funding cuts in the current and coming year.

The local housing market bears strongly on property tax collections. During the recent recession homes are staying on the market longer and housing prices have declined. The sales price of homes in our community has not dropped as significantly as in other areas, but they have dropped nonetheless. The average sales price two years ago was a little over $2 million, while the current average is just under $1.75 million.

California law stipulates that the assessed valuation of secured property can rise from one year to the next no more than the year-over-year increase in state CPI or 2%, whichever is less. Offsetting this factor is change in AV due to new homes being built or housing turnover wherein the new AV represents the sales price of the home. Since almost one-fifth of all homes in our community have assessed valuations of $200,000 or less and with the recent average sales price of around $1.75 million, there is potential for significant AV increases—depending on the amount of turnover.

On the positive side, we continue to receive solid support from the local community through significant educational foundation and PTA funding as well as a parcel tax that generates 25% of our total General Fund revenue.

Achievement

The district prides itself on providing an outstanding education to our students. The following is evidence that we do just that:

- The 2011 state Academic Performance Index (API) ranked all district schools among the highest in the state. Overall our students recorded the best test results in the state. We have ranked in the top four in the state every year since the testing program began in 2000.
- Students in the district have consistently scored within the top 2% of all children tested in California. California Assessment Program (CAP) scores in 1992 showed Los Altos students scoring at the 98th or 99th percentile in all grades and in all subject areas. 1997 California Achievement Test (CAT–5) scores, which are nationally normed, showed the average Los Altos student scoring higher than 88% of all students tested nationally. Over the last thirteen years (1998–2011) California's Standardized Testing and Reporting (STAR) test results, which are nationally normed, show the average Los Altos student scoring in the 80th – 90th percentile.
- All district schools are California Distinguished Schools and two schools (Gardner Bullis and Santa Rita) have applied for and been chosen as national Blue Ribbon Schools.

Long Term Planning/Major Initiatives

Academic Excellence

The district continues to improve and refine its academic offerings, focusing on identified curriculum areas and instructional strategies each year. Recruiting and retaining fully qualified and well trained teachers and administrators are high priorities.

District Enrollment

The district has experienced steady enrollment growth over the last ten years, averaging over 1% per year. FY 2011 enrollment increased by 2% over the prior year. Our demographic forecast shows a modest decline in enrollment in the near future.

District Funding Status

For the typical school district in California, property taxes provide less than 40% of the total formula-driven general operating revenues (called the revenue limit). The state contributes the remainder, over 60%, in state aid. In our district the picture is very different. Because of high assessed values, property tax collections are more significant and actually exceed our revenue limit.

This anomaly pushed us into basic aid status. A basic aid district is one in which the local property taxes collected for schools exceed the state imposed general purpose revenue limit. Because basic aid districts get to keep property tax revenues in excess of the revenue limit, there can be a significant financial advantage to being basic aid. As a basic aid district we become reliant on local property tax collections rather than dependent on state funding.

Reserves Policy

The district recently revised its reserves policy to reflect the need of a basic aid district to have a higher level of reserves. The new policy targets a general operating reserve of 3–5% and a second reserve layer as a basic aid district of a minimum of 5%. The state-required minimum reserves level for a district our size is 3%. District reserves at the end of FY 2011 were 12.3% of total operating expenditures.

Major Initiatives

In California school districts are limited in their ability to tax the local citizenry to raise monies for schools. State law limits ad valorem taxes to 1% of assessed valuation (AV). AV is defined as 100% of the value of real property at the time of sale. The state limits annual increases in AV to no more than 2%. The only time property is reassessed is at the time of sale with the new assessment reflecting the sale price of the property. Ad valorem property tax revenues provide the base general purpose funding for our schools. The only additional taxing authority school districts have is for general obligation bonds and parcel taxes both of which require special elections and passage by a 2/3 majority vote. A recently enacted state measure, Proposition 39, permits passage of a local general obligation bond by a 55% majority under special circumstances.

In recent years the district has undertaken two major initiatives to deal with long term planning issues—a second parcel tax and a general obligation bond measure.

Parcel Tax. The district originally passed a parcel tax in 1989. That measure, as required by state law, was approved by over 2/3's of the voters. The tax was initially set at $168 per parcel and has been increased a couple of times. It now sits at $597 per parcel and generates approximately $7.5 million annually for the district. That tax has an indefinite life span.

In the spring of 2011 the district sought voter approval for a second parcel tax—pegged at $193 per parcel and with a six year life span. That tax measure was approved by a 2/3's vote in May 2011. The tax expires at the end of 2016-17. This second parcel tax is expected to generate approximately $2.3 million annually and help the district offset state funding cuts that have been imposed during the recent recession.

General Obligation Bonds. In the fall of 1998, a bond measure was placed before the voters of the district. The measure proposed issuing general obligation bonds in the amount of $94.7 million to provide funding to renovate and modernize existing buildings throughout the district and to build new classrooms and other buildings to replace ninety portable buildings leased by the district. The measure was approved, with a 75% affirmative vote.

The school board appointed six community members with experience in major construction and finance projects to a Construction Oversight Committee. That committee made recommendations to the board, provided advice and assistance to district staff when needed, and helped ensure that taxpayers' money was spent according to the approved plan.

The district issued its first series of bonds under the 1998 measure (Series A) for $40 million in February 1999. The district issued a second series (Series B) in May 2001 worth $46.7 million and a third and final series of bonds in October 2003 in the amount of $8 million. The district refinanced almost all of its outstanding bonds ($89.3 million) in June 2006. This refunding resulted in a net gain of $10.9 million which was used to modernize the Bullis-Purissima School (now called Gardner Bullis School). The impact on taxpayers of each of these bond issuances is expected to average $55 per $100,000 of assessed valuation (AV), not to exceed $60 per $100,000 AV. Prior to these issuances, the district had no outstanding debt. The district maintains excellent credit ratings, receiving an Aa2 rating from Moody's Investors Service (the highest rating for a California school district) and an AA rating from Standard & Poor's.

The bonds represent a general obligation of the district. The Board of Supervisors of the County of Santa Clara is empowered and obligated to levy ad valorem taxes without limitation as to rate or amount, for the payment of the interest on and principal of the bonds, upon all property subject to taxation by the district (except certain personal property which is taxable at limited rates). Such taxes, when collected, will be placed by the County in the district's Bond Interest and Redemption Fund, which is required to be maintained by the County and used solely for the repayment of the bonds and interest thereon when due.

Due to a significant increase in construction costs at the time the district started its program, the district had to scale back its program. Some of the planned new construction has been deferred until the district is able to secure additional funding. However the renovation and modernization work has been completed as planned. Schools and classrooms at our sites are now state of the art facilities.

Financial Information

Internal and Budgetary Controls

The district maintains internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use and disposition and to provide reliable records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes the importance of a close evaluation of costs and benefits which requires estimates and judgments by management. The objective is to secure efficient internal control, the cost of which must not exceed the benefits derived there from. We believe that the district's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

School districts in California are required by Education Code Section 41010 to follow the California School Accounting Manual in preparing reports to the State. The district, under Assembly Bill 1200 (Chapter 1213, Statutes of 1991), utilizes a single-adoption budget schedule. The district adopts a Final Budget prior to the state-mandated July 1 deadline.

Expenditures cannot legally exceed appropriations by major object classification, namely certificated salaries, classified salaries, employee benefits, books and supplies, services and other operating expenditures, capital outlay, debt service, other outgo, direct support/indirect costs, and operating transfers out. Education Code 42600 specifies that school districts may not spend more than the amounts authorized in the Final Budget as adjusted during the school year.

Encumbrance accounting is utilized to assure effective budgetary control and accountability. Unencumbered appropriations lapse at year-end and encumbrances outstanding also lapse at that time.

Cash Management

Cash temporarily idle during the year and not needed immediately for operations is invested. Substantially all of the district's cash is deposited in the county treasury. The district is limited by Education Code Section 41015 and Government Code Section 53601 to investments in: U. S., State or Local government securities or U. S. government guaranteed securities; banker's acceptances or negotiable certificates of deposits issued by a nationally or state-chartered bank or savings and loan association; and commercial paper of "prime quality". These guidelines are followed by the County Treasurer's staff in making pool and specific investments for the district. Income realized from such investments in 2010-11 was $160,518 for all funds. As of June 30, 2011 the district's cash in the total county pool was approximately $21.2 million.

The district also maintains some cash deposits with a local bank. At June 30, 2011 the total bank balance was $142,529. Up to $250,000 on deposit with the local bank is covered by federal depository insurance. Any balance above the $250,000 threshold is collateralized in accordance with state law in the financial institution's name at 110% of the deposit value.

Risk Management

The district maintains a risk management program that includes comprehensive insurance coverage, periodic safety inspections of buildings and grounds by district staff, periodic safety evaluations by an independent consultant, participation with neighboring districts in risk management consortiums, and periodic review of contracts and policies to assure compliance with legal mandates and good business practice. The Assistant Superintendent of Business Services oversees risk management for the district.

The district purchases insurance coverage through various public entity risk pools. As a member of these pools we place coverage through various commercial carriers. We carry a $10,000 deductible for property loss and a $5,000 deductible for liability loss. We have no other deductibles.

Independent Audit

Education Code Section 41020 provides that each school district shall arrange for an audit by certified public accountants of its books and accounts, including the district's income by source of funds and expenditures by object and program. The district's contract auditor for the fiscal year ended June 30, 2011 is Chavan & Associates, LLP.

Awards

ASBO

The Association of School Business Officials (ASBO) International awarded its Certificate of Excellence in Financial Reporting to Los Altos School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This was the eighth consecutive year that the district has received this prestigious award. Receiving this award is recognition that the district has met the highest standards of excellence in financial reporting as adopted by ASBO. The award is granted after intensive review by an expert panel of certified public accountants and practicing school business officials. The district believes that this year's Comprehensive Annual Financial Report, which will be submitted to ASBO for review, will also conform to these high standards. The district has also received the ASBO Meritorious Budget Award every year for the last eleven years.

GFOA

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Los Altos School District for its comprehensive annual financial report for the fiscal year ended June 30, 2010. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirement and we are submitting it to the GFOA to determine its eligibility for another certificate.

Copies of both the ASBO and GFOA award certificates are shown on the following pages.

Acknowledgements

We wish to express our appreciation to Kim Ginelli (Fiscal Services Specialist), the staff of the District Business Office, and Sheldon Chavan (managing partner) and the staff at Chavan & Associates, LLP for their work in preparing this report.

Respectfully submitted,

Jeffrey C. Baier	Randall A. Kenyon
Superintendent	Assistant Superintendent, Business Services

Awards

ASBO Certificate of Excellence in Financial Reporting

For the Fiscal Year Ended June 30, 2010

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

This Certificate of Excellence in Financial Reporting is presented to

LOS ALTOS SCHOOL DISTRICT

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2010

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President | Executive Director

GFOA Certificate of Achievement for Excellence in Financial Reporting

For the Fiscal Year Ended June 30, 2010

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Altos School District California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

District Organization

Los Altos School District was founded in 1909. Board members and central and site administrators are listed below.

Board of Trustees

Mr. William Cooper
President
Term expires 2012

Mr. Mark Goines
Vice-President
Term expires 2014

Mr. Douglas Smith
Clerk
Term expires 2014

Mrs. Tamara Logan
Member
Term expires 2014

Mrs. Margot Harrigan
Member
Term expires 2012

District Administration

Mr. Jeffrey Baier
Superintendent

Mrs. Alyssa Gallagher
Assistant Superintendent, Curriculum & Instruction

Mr. Randall Kenyon
Assistant Superintendent, Business Services

Mrs. Ruth Cantwell
Director of Special Education

Schools and School Principals

Elementary (K–6)

Almond School
Mrs. Terri Stromfeld

Covington School
Ms. Erin Green

Gardner Bullis School
Mrs. Erica Gilbert

Loyola School
Mrs. Kimberly Attell

Oak School
Mrs. Amy Romem

Santa Rita School
Mrs. Sandra McGonagle

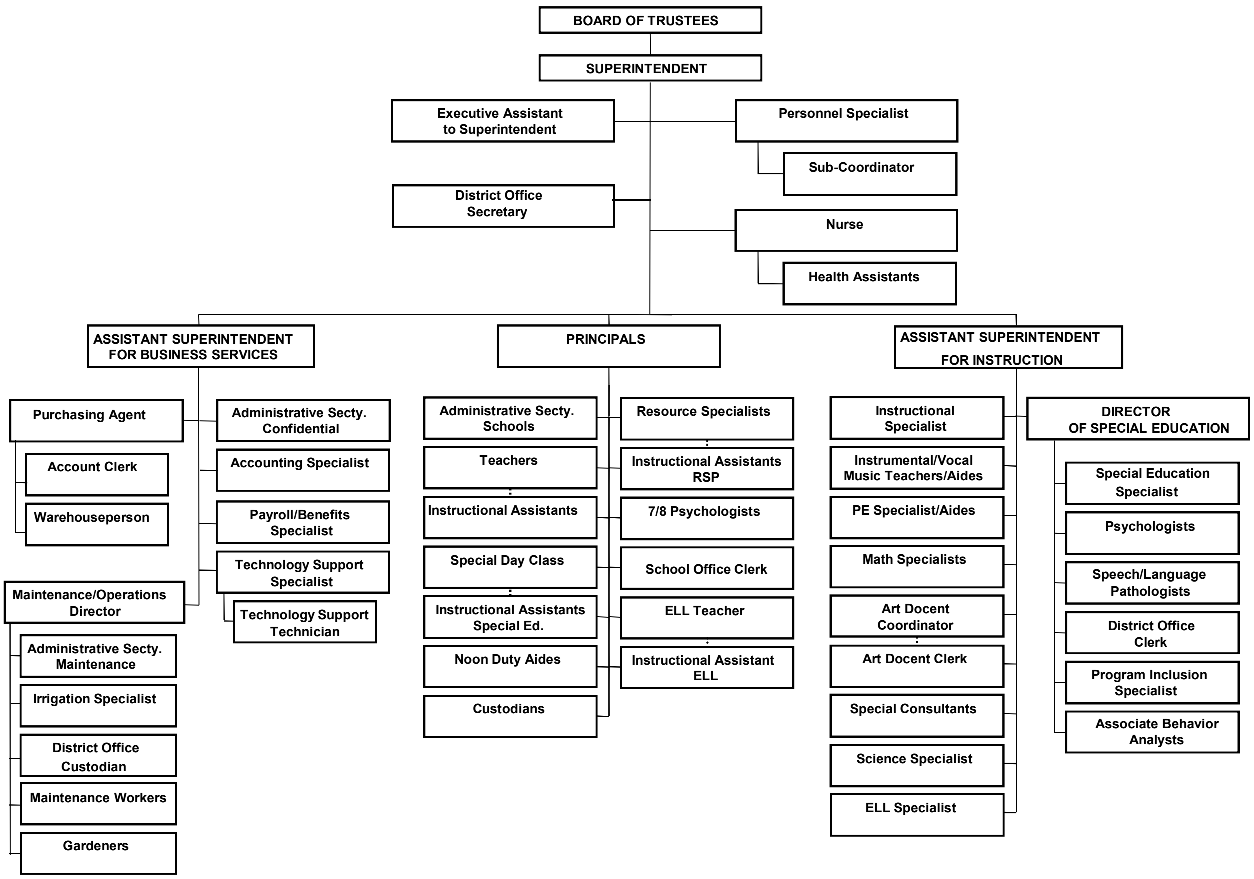
Springer School
Mr. Wade Spenader

Intermediate (7–8)

Blach School
Ms. Leslie Crane

Egan School
Mrs. Brenda Dyckman

Los Altos School District Organizational Chart: 2010–11



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Financial Section

Independent Auditor's Report

Chavan & Associates, LLP Certified Public Accountants
Sheldon Chavan, CPA • Bret Harrell, CPA

The Honorable Board of Trustees
Los Altos School District
Santa Clara, California

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Los Altos School District at June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 21, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

As discussed in Note 1 to the financial statements, the District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 12 and 38 through 39 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 District's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, statistical section, and state and federal award compliance information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory, statistical, and state and federal award compliance information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

C & A LLP

October 21, 2011
San Jose, California

Management's Discussion & Analysis

The discussion and analysis of Los Altos School District's financial performance provides an overview of the district's financial activities for the fiscal year ended June 30, 2011 ("FY 2011"). The intent of this discussion and analysis is to look at the district's financial performance as a whole. Readers should also review the basic financial statements along with the notes to these statements to enhance their understanding of the district's financial performance.

Financial Highlights

Key financial highlights for FY 2011 are as follows:

- At year-end the assets of the district exceeded its liabilities by $26.2 million (net assets).
- General revenues (property taxes and unrestricted revenue) accounted for $47.9 million or 91% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for $4.9 million or 9% of total revenues of approximately $52.8 million. Total revenues were approximately $0.3 million more than expenses, reflecting the change in net assets from the prior year.
- The district's $52.6 million in expenses was offset by $4.9 million of program specific charges for services, grants, or contributions. The balance, $47.7 million, was offset by general revenues.
- The district has three major funds—the General Fund, the Building Fund, and the Bond Interest and Redemption Fund.
    - At the end of FY 2011, the fund balance of the General Fund, including the Special Reserve Funds as required by GASB 54, was $7.39 million. Of this total, $5.44 million was unassigned. General reserves were 12.7% of general fund expenditures. The General Fund had $44.3 million in revenues and transfers in and $44.1 million in expenditures and transfers out, an increase in fund balance of $0.2 million from the prior year.
    - Because of an increase in property tax collections the fund balance of the Bond Interest and Redemption Fund grew from $6.3 million to $6.9 million.

Using the Annual Report

This annual financial report contains, in addition to this Management Discussion and Analysis, the district's basic financial statements and supplementary information. These three sections together provide a comprehensive overview of the district's finances. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the district's overall financial position.
- Individual parts of the district, which are reported as fund financial statements, focus on reporting the district's operation in more detail. These fund financial statements comprise the remaining statements.

Notes to the financials, which follow the basic financial statements, provide more detailed data and explain some of the information in the statements. The supplementary information sections provide further explanations and additional support for the financial statements, including a comparison of the district's budget to actual revenues and expenditures for the year.

Additional elements of this report include sections on State and Federal Award Compliance, Other Independent Auditor's Reports, and Findings and Recommendations as well as a Statistical Section.

Overview of the Financial Statements

Government-wide Financial Statements—Statement of Net Assets and the Statement of Activities

While this document contains specific information on the many funds used by the district to provide programs and activities, the view of the district as a whole looks at all financial transactions and asks the question, "How did we do financially during the previous year?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the district's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the district as a whole, the financial position of the district has either improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the district's property tax base, current property tax laws in California restricting revenue growth, facilities condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the district reports governmental activities. Governmental activities are the activities where most of the district's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plants and facilities, pupil transportation and extracurricular activities. The district does not have any business-like activities.

The government-wide financial statements can be found on pages 13–14 of this report.

Fund Financial Statements

The analysis of the district's major funds begins on page 15. Fund financial reports provide detailed information about the district's major funds. The district uses several funds to account for a multitude of financial transactions. However, these fund financial statements focus on the district's most significant funds and not the district as a whole. The district's major governmental funds are the General Fund, the Building Fund, and the Bond Interest and Redemption Fund.

Governmental Funds. Most of the district's activities are reported in governmental funds. Governmental fund financial statements focus on how money flows into and out of these funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the district's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds. The district is the trustee, or fiduciary, for student body funds. All of the district's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities on page 19. We exclude these activities from the district's other financial statements because the district cannot use these assets to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found starting on page 20 of this report.

Government-wide Financial Analysis

As stated earlier the Statement of Net Assets and the Statement of Activities provide a financial glimpse of the District as a whole. "Table 1: Summary of Net Assets" provides a summary of the district's net assets for FY 2011 as contained in the Statement of Net Assets and compares that information to FY 2010. As the table shows, our total net assets as of June 30, 2011 were $26.2 million, an increase from the prior year of $0.3 million. The largest portion of the district's net assets ($15.6 million or 59%) reflects its investment in capital assets less depreciation and any related debt used to acquire those assets that is still outstanding. The district uses capital assets to provide services; consequently, these assets are usually not available for future spending. Although the district's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves usually are not used to liquidate the debt.

Approximately $7.8 million (30%) of the district's net assets represent resources subject to external restrictions on how they may be used. These assets are either restricted for future spending or set aside to pay debt service on general obligation bonds. $151,485 is required to be spent on specific federal and state programs—funds carried over into the next fiscal year. $714,631, by state law, can only be spent on capital projects. $6.9 million is set aside for debt service payments in the subsequent fiscal year.

The remaining balance $2.8 million (11%) consists of unrestricted net assets which may be used to fund the district's ongoing activities.

Table 1: Summary of Net Assets

	June 30, 2010	June 30, 2011	*Change*	*Percentage Change*
Assets				
Current and Other Assets	$ 23,739,179	$ 23,938,680	*$ 199,501*	*1%*
Capital Assets	107,197,856	104,623,045	*(2,574,811)*	*-2%*
Total Assets	130,937,035	128,561,725	*(2,375,310)*	*-2%*
Liabilities				
Other Liabilities	9,980,942	10,880,645	*899,703*	*9%*
Long-Term Liabilities	94,984,640	91,432,020	*(3,552,620)*	*-4%*
Total Liabilities	104,965,582	102,312,665	*(2,652,917)*	*-3%*
Net Assets				
Invested in Capital Assets, Net of Related Debt	14,009,604	15,609,775	*1,600,171*	*11%*
Restricted	7,156,505	7,798,583	*642,078*	*9%*
Unrestricted	4,805,344	2,840,702	*(1,964,642)*	*-41%*
Total Net Assets	$ 25,971,453	$ 26,249,060	$ 277,607	*1%*

In comparing FY 2011 to the prior year we note the following:

- Current and other assets increased, while capital assets decreased due to increased depreciation. Cash in the county treasury increased by $0.3 million because of cuts in staffing and programs we made in FY 2011 in order to build reserves to weather the continued economic downturn.
- Long-term liabilities decreased primarily due to paying off general obligation bond debt. For more information on long-term liabilities, see Note 7 in the "Notes to the Basic Financial Statements" section.
- Other liabilities increased due to an increase in debt service interest payments from one year to the next.
- Of our total net assets, those invested in capital assets, net of related debt, increased by $1.6 million because of the repayment of bond principal and the amortization of bond issuance costs, discounts, premiums and losses from prior bond refunding.
- Our unrestricted net assets decreased by $2 million offsetting the increase in restricted net assets and net assets invested in capital assets, net of related debt.

"Table 2: Change in Net Assets" reflects data extracted from the Statement of Activities and shows the changes in net assets from FY 2010 to FY 2011.

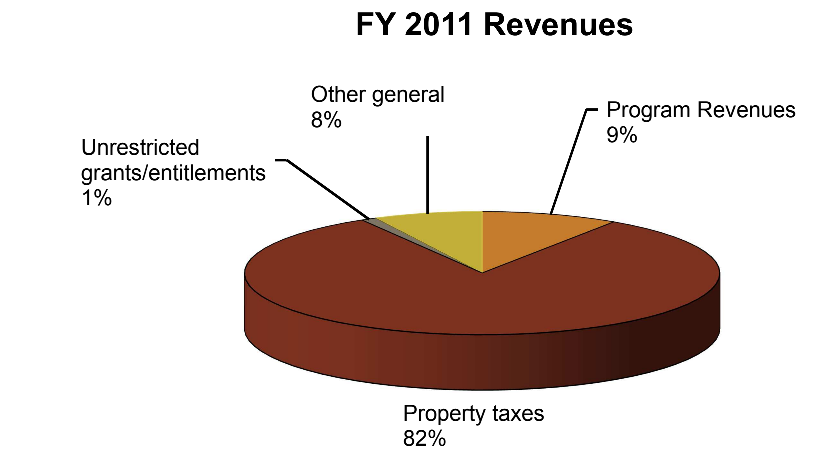
Table 2: Change in Net Assets

	June 30, 2010	June 30, 2011	*Change*	*Percentage Change*
Revenues				
Program Revenues:				
Charges for Services	$ 531	$ 565	*$ 34*	*6%*
Operating Grants and Contributions	4,970,086	4,946,391	*(23,695)*	*0%*
General Revenues:				
Property Taxes	43,121,882	43,424,004	*302,122*	*1%*
Grants and Entitlements - Unrestricted	1,739,376	560,790	*(1,178,586)*	*-68%*
Other	3,234,424	3,908,283	*673,859*	*21%*
Total Revenues	53,066,299	52,840,033	*(226,266)*	*0%*
Program Expenses				
Instruction	30,939,120	32,026,266	*1,087,146*	*4%*
Support Services:				
Instruction-related services	4,429,222	4,274,264	*(154,958)*	*-3%*
Pupil services	2,248,887	2,370,819	*121,932*	*5%*
General administration	3,015,739	2,928,965	*(86,774)*	*-3%*
Plant services	4,832,257	5,214,914	*382,657*	*8%*
Other educational programs	-	3,340	*3,340*	*100%*
Interest and Fiscal Charges	4,499,114	5,743,858	*1,244,744*	*28%*
Total Expenses	49,964,339	52,562,426	*2,598,087*	*5%*
Change in Net Assets	3,101,960	277,607	*(2,824,353)*	*-91%*
Beginning Net Assets	22,869,493	25,971,453	*3,101,960*	*14%*
Ending Net Assets	$ 25,971,453	$ 26,249,060	*$ 277,607*	*1%*

The most significant changes resulted from the following:

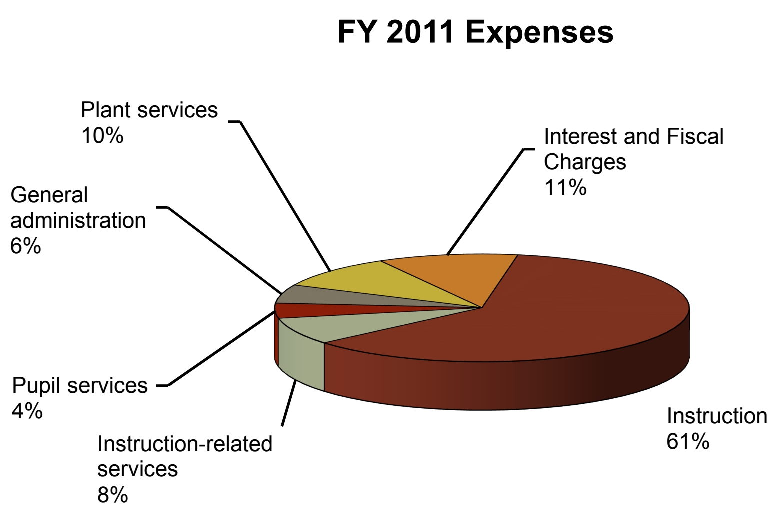
- Federal funding for FY 2010 included several one-time grants which were not funded in FY 2011.
- Property tax collections were higher due to a continuing increase in property assessed valuations.
- State funding (grants and entitlements) was cut due to state budget issues.
- Instructional costs increased due primarily to salary and benefit cost increases.
- General administration decreased by 3% due to reduction in staff in FY 2011 resulting from budget cuts.
- Interest payments on long term debt increased as we continued paying off our general obligation bonds.

District programs for FY 2011 cost $52.6 million. To support those programs the district garnered $5 million in program revenues. The balance of support came from property taxes and other general revenues. Since property tax collections amounted to $43.4 million, the district's dependence upon tax revenues is apparent. The chart below shows FY 2011 revenues by category.



Total Revenues: $52,840,033

Instruction comprises 61% of district expenses. Support service expenses make up 28% of the total, with the balance being interest and fiscal charges. The accompanying chart displays FY 2011 expenses by category.



Total Expenses: $52,562,426

Governmental Activities

The Statement of Activities on page 14 shows the cost of program services and the charges for services and grants offsetting those services. "Table 3: Net Cost of Services" extracts information from the Statement of Activities and compares the net cost of services from one year to the next. It identifies the cost of those services supported by tax revenue and unrestricted state entitlements. The net cost of services increased by $2.6 million due to an overall increase in spending and increased debt service expenses.

Table 3: Net Cost of Services				
	Net Cost of Services for the Fiscal Year Ended June 30, 2010	Net Cost of Services for the Fiscal Year Ended June 30, 2011	*Change*	*Percentage Change*
Instruction	$ 26,623,362	$ 27,533,938	*$ 910,576*	*3%*
Support Services:				
Instruction-related services	3,967,997	4,005,286	*37,289*	*1%*
Pupil services	2,069,681	2,205,436	*135,755*	*7%*
General administration	3,003,266	2,909,097	*(94,169)*	*-3%*
Plant services	4,830,303	5,214,515	*384,212*	*8%*
Other educational programs	-	3,340	*3,340*	*100%*
Interest and Fiscal Charges	4,499,114	5,743,858	*1,244,744*	*28%*
Total Expenses	$ 44,993,723	$ 47,615,470	$ 2,621,747	*6%*

The expense categories shown in Table 3 are summarized below.

- "Instruction" expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.
- "Instruction-related services" and "pupil services" include the activities involved with assisting staff with the content and process of teaching to pupils, as well as direct non-instructional services to students (including health, library, transportation, and other services).
- "General administration" costs include expenses associated with the administrative and financial supervision of the district.
- "Plant services" involve keeping the school grounds, buildings, and equipment in good working condition.
- "Other educational programs" reflects a payment to the County Office of Education for an allotment of space in an Alternative Education site for one student.
- "Interest and fiscal charges" involve the transactions associated with the payment of interest and other charges related to debt of the district.

Financial Analysis of the District's Funds

The district's governmental funds report a combined fund balance of $15.3 million, an increase of $0.8 million from the prior year. "Table 4: Governmental Fund Balances" provides an analysis of the district's fund balances and the total change in fund balances from the prior year.

The following information helps explain the changes from the prior year.

- General Fund reserves increased primarily as a result of combining the Special Reserve Fund into the General Fund, as required under GASB 54.
- The decrease in fund balance for the Building Fund results from spending on portable classrooms charged against the Capital Facilities Fund in previous years.
- The Bond Interest and Redemption Fund is used to repay bonded indebtedness. The fund balance will fluctuate depending on the debt repayment schedule.
- The Deferred Maintenance fund balance decreased due to increased spending on school facilities and reduced state funding.

- The fund balance in the Special Reserve Fund decreased with the implementation of GASB 54. The Special Reserve fund no longer qualifies as a special revenue fund and was combined with the General Fund for reporting purposes, which accounts for the respective changes in those funds as noted in Table 4.
- The assignment of expenditures on portable classrooms to the Building Fund resulted in a corresponding increase in the Capital Facilities Fund balance.

Table 4: Governmental Fund Balances

Fund	Fund Balance June 30, 2010	Fund Balance June 30, 2011	*Increase (Decrease)*	*Percentage Change*
General	$ 6,754,298	$ 7,390,104	$ 635,806	9%
Building	694,768	431,259	(263,509)	-38%
Bond Interest & Redemption	6,274,945	6,932,467	657,522	10%
Deferred Maintenance	288,757	242,494	(46,263)	-16%
Special Reserve	425,450	-	(425,450)	-100%
Capital Facilities	61,066	283,372	222,306	364%
Total	$ 14,499,284	$ 15,279,696	$ 780,412	5%

General Fund Budgetary Highlights

The district's budget is prepared according to California law and is based on the modified accrual basis of accounting.

During the course of the 2011 fiscal year the district amended its General Fund budget numerous times, resulting in changes to revenue and expenditure estimates. Expenditure appropriation adjustments were made to reflect actual staffing, salary changes for professional growth credit earned by teachers, changes in the cost of contracted services, and the spending of one-time grants carried forward from the prior year.

The district uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. In early June the district made its final appropriations adjustments to as closely match expected revenue and expenditure totals as possible.

Capital Asset and Long-term Liabilities

Capital Assets

At the end of the fiscal year, the district had $104.6 million invested in land, buildings, and equipment (including computer equipment, furniture, and vehicles). "Table 5: Capital Assets" shows FY 2011 balances as compared to the prior year.

Capital outlay during the fiscal year included minor site improvements and the purchase of computers and other equipment. For more information see the Notes to the Basic Financial Statements (note 5; page 30).

Table 5: Capital Assets

	June 30, 2010	June 30, 2011	*Increase (Decrease)*	*Percentage Change*
Land	$ 1,488,885	$ 1,488,885	-	0%
Site improvements	1,225,056	1,225,056	-	0%
Buildings and Improvements	127,278,911	127,278,911	-	0%
Equipment	1,578,369	1,734,920	156,551	10%
Total	131,571,221	131,727,772	156,551	0%
Less: Accumulated Depreciation	24,373,365	27,104,727	2,731,362	11%
Net Capital Assets	$ 107,197,856	$ 104,623,045	(2,574,811)	-2%

Long Term Liabilities

As of June 30, 2011 the district had $91.4 million in long term debt obligations. The bulk of this total is debt service on general obligation bonds issued by the district to finance its construction and modernization program. The District's long-term liabilities also include $1.3 million for other postemployment benefit obligations (OPEB). This amount is the difference from the annual required contributions and the district's actual contributions in the OPEB plan. The remaining $222,287 in long term obligations is the amount of compensated absences liability recorded by the district at year end, an increase of $13,842 from the prior year.

"Table 6: Long Term Liabilities" shows the district's outstanding debt as of June 30, 2011 as well as comparable data for the prior year. A more detailed discussion is included in the Notes to the Financial Statements (note 7) starting on page 31.

State law limits the amount of general obligation debt an elementary school district may issue to 1.25% of its total assessed valuation. The debt limitation for the district as of June 30, 2011 was $175.2 million, which is $88.5 million greater than the district's outstanding general obligation debt as of that date.

Table 6: Long-term Liabilities

	June 30, 2010	June 30, 2011	*Increase (Decrease)*	***Percentage Change***
Long-term Debt:				
2006 General obligation bonds:				
Current Interest Bonds	81,965,000	77,810,000	(4,155,000)	-5%
Capital Appreciation Bonds	8,854,000	8,854,000	-	0%
Unamortized bond premium	8,430,187	7,781,711	(648,476)	-8%
Deferred loss on early retirement of long-term Debt	(9,113,697)	(8,412,644)	- 701,053	-8%
Site lease purchase obligations	3,985,861	3,841,525	(144,336)	-4%
Subtotal long-term debt	94,121,351	89,874,592	(4,246,759)	-5%
Other Long-term Liabilities:				
Net OPEB obligation	654,844	1,335,141	680,297	100%
Compensated absences	208,445	222,287	13,842	7%
Subtotal other long-term	863,289	1,557,428	694,139	80%
Total Long-term Liabilities	$ 94,984,640	$ 91,432,020	$ (3,552,620)	-4%

Factors Bearing on the District's Future

- The state and national economy continues to negatively impact school funding. State budget deficits for 2012 are forecast as high as $13 billion. The specter of mid-year funding cuts along with reduced funding for the upcoming year casts a pall over our financial picture.
- Even the local economy is suffering, thus adversely impacting property tax collections. Housing turnover has slowed down and property values have declined slightly. We project only modest growth in property assessed valuations for next year.
- The charter school, which has enrolled 454 district students, continues to impact district finances.
- Continued escalating insurance costs (health, workers compensation, property and liability, etc.) and competition for quality teachers both create additional potential financial burdens on the district.
- The district has increased its reserve levels, yet faces potential deficits in the years ahead due to the length and depth of the recent recession.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the district's finances and to show the district's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Mr. Randall Kenyon, Assistant Superintendent for Business Services, Los Altos School District, 201 Covington Road, Los Altos, California 94024.

Basic Financial Statements

Los Altos School District
Statement of Net Assets
June 30, 2011

	Governmental Activities
Assets	
Cash in county treasury	$ 14,545,351
Cash in revolving fund	5,000
Cash on hand	54,990
Cash with fiscal agents	6,500,000
Accounts receivable	874,777
Due from grantor government	446,966
Stores inventories	274
Unamortized discounts and issuance costs	861,322
Capital assets - net:	
Land	1,488,885
Site improvements	1,225,056
Building and improvements	127,278,911
Equipment	1,734,920
Less accumulated depreciation	(27,104,727)
Total capital assets - net	104,623,045
Total Assets	$ 127,911,725
Liabilities	
Accounts payable	$ 561,552
Current loan	6,500,000
Due to grantor government	65,810
Unearned revenue	20,300
Accrued interest	3,082,983
Long-term liabilities:	
Due within one year:	
General obligation bonds payable	3,708,996
Deferred loss on early retirement of long-term debt	(701,053)
Compensated absences payable	222,287
Site lease purchase obligation	151,303
Total due within one year	3,381,533
Due after one year:	
General obligation bonds:	
2006 General obligation bonds	90,736,715
Deferred loss on early retirement of long-term debt	(7,711,591)
Subtotal general obligation bonds	83,025,124
Site lease purchase obligation	3,690,222
Net OPEB obligation	1,335,141
Total due after one year	88,050,487
Total Liabilities	$ 101,662,665
Net Assets	
Invested in capital assets, net of related debt	$ 15,609,775
Restricted for:	
Capital projects	714,631
Debt service	6,932,467
Educational programs	151,485
Unrestricted	2,840,702
Total Net Assets	$ 26,249,060

The notes to the basic financial statements are an integral part of this statement.

Los Altos School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	$ 32,026,266	$ -	$ 4,492,328	$ (27,533,938)
Instruction-related services:				
Supervision of instruction	1,164,684	-	268,978	(895,706)
Instruction library, media and technology	520,285	-	-	(520,285)
School site administration	2,589,295	-	-	(2,589,295)
Pupil services:				
Home-to-school transportation	256,647	-	105,407	(151,240)
Food services	111,462	565	60,325	(50,572)
All other pupil services	2,002,710	-	(914)	(2,003,624)
General administration:				
Data processing	495,075	-	-	(495,075)
All other general administration	2,433,890	-	19,868	(2,414,022)
Plant services	5,214,914	-	399	(5,214,515)
Other educational programs	3,340	-	-	(3,340)
Interest on long-term debt	5,743,858	-	-	(5,743,858)
Total governmental activities	$ 52,562,426	$ 565	$ 4,946,391	$ (47,615,470)
General revenues and special items:				
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				27,129,923
Taxes levied for debt service				8,706,468
Taxes levied for other specific purposes				7,587,613
Federal and state aid not restricted to specific purposes				560,790
Interest and investment earnings				160,518
Miscellaneous				3,747,765
Total general revenues and special items				47,893,077
Change in net assets				277,607
Net assets beginning				25,971,453
Net assets ending				$ 26,249,060

The notes to the basic financial statements are an integral part of this statement.

Los Altos School District
Governmental Funds
Balance Sheet
June 30, 2011

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash in county treasury	$ 6,669,107	$ 521,927	$ 6,926,913	$ 427,404	$ 14,545,351
Cash in revolving fund	5,000	-	-	-	5,000
Cash with Fiscal Agents	6,500,000	-	-	-	6,500,000
Cash on hand	46,805	-	-	8,185	54,990
Accounts receivable	867,748	1,198	5,554	277	874,777
Due from grantor government	446,966	-	-	-	446,966
Due from other funds	-	280,000	-	370,000	650,000
Prepaid items and inventory	274	-	-	-	274
Total Assets	$ 14,535,900	$ 803,125	$ 6,932,467	$ 805,866	$ 23,077,358
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 559,686	$ 1,866	$ -	$ -	$ 561,552
Current loan	6,500,000	-	-	-	6,500,000
Due to grantor government	65,810	-	-	-	65,810
Due to other funds	-	370,000	-	280,000	650,000
Deferred revenue	20,300	-	-	-	20,300
Total Liabilities	7,145,796	371,866	-	280,000	7,797,662
Fund balances:					
Nonspendable:					
Revolving fund	5,000	-	-	-	5,000
Stores inventory	274	-	-	-	274
Restricted for:					
Educational programs	151,485	-	-	-	151,485
Debt service	-	-	6,932,467	-	6,932,467
Assigned for:					
Other Postemployment Benefits	1,217,447	-	-	-	1,217,447
Educational programs	580,025	-	-	-	580,025
Capital Projects	-	431,259	-	283,372	714,631
Unassigned:					
Reserve for economic uncertainties	428,825	-	-	-	428,825
Unappropriated	5,007,048	-	-	242,494	5,249,542
Total Fund Balances	7,390,104	431,259	6,932,467	525,866	15,279,696
Total Liabilities and Fund Balances	$ 14,535,900	$ 803,125	$ 6,932,467	$ 805,866	$ 23,077,358

The notes to the basic financial statements are an integral part of this statement.

Los Altos School District

Reconciliation of the Governmental Funds

Balance Sheet to the Statement of Net Assets

June 30, 2011

Total fund balances - governmental funds		$ 15,279,696
Amounts reported in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital assets at cost	$ 131,727,772	
Accumulated depreciation	(27,104,727)	104,623,045
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds.		(3,082,983)
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund		
Unamortized of bond issuance costs and discounts		861,322
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
General obligation bonds	$ 86,664,000	
Unamortized bond premium	7,781,711	
Deferred loss on early retirement of long-term debt	(8,412,644)	
Site lease purchase obligation	3,841,525	
Net OPEB obligation	1,335,141	
Compensated absences (vacation)	222,287	(91,432,020)
Total net assets - governmental activities		$ 26,249,060

The notes to the basic financial statements are an integral part of this statement.

Los Altos School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2011

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Revenue limit sources	$ 25,458,478	$ -	$ -	$ -	$ 25,458,478
Federal revenue	1,783,741	-	-	-	1,783,741
Other state	2,115,088	467,880	43,662	-	2,626,630
Other local	13,745,066	183,942	8,683,816	410,939	23,023,763
Total revenues	43,102,373	651,822	8,727,478	410,939	52,892,612
Expenditures:					
Current					
Instruction	28,816,637	-	-	-	28,816,637
Instruction-related services:					
Supervision of instruction	1,157,483	-	-	-	1,157,483
Instruction library, media and technology	326,008	-	-	-	326,008
School site administration	2,379,907	-	-	-	2,379,907
Pupil services:					
Home-to-school transportation	256,647	-	-	-	256,647
Food services	110,721	-	-	-	110,721
All other pupil services	2,001,166	-	-	-	2,001,166
General administration:					
Data processing	489,844	-	-	-	489,844
All other general administration	2,380,088	-	-	-	2,380,088
Plant services	4,311,634	547,390	-	227,290	5,086,314
Other educational programs	3,340	-	-	-	3,340
Facilities acquisition and construction	17,385	217,941	-	306,138	541,464
Debt service:					
Principal	144,336	-	4,155,000	-	4,299,336
Interest and fees	348,289	-	3,914,956	-	4,263,245
Total expenditures	42,743,485	765,331	8,069,956	533,428	52,112,200
Other financing sources (uses):					
Transfers in	1,215,930	-	-	298,532	1,514,462
Transfers out	(1,364,462)	(150,000)	-	-	(1,514,462)
Total other financing sources (uses)	(148,532)	(150,000)	-	298,532	-
Net changes in fund balances	210,356	(263,509)	657,522	176,043	780,412
Fund balances beginning	6,754,298	-	-	-	6,754,298
Prior period adjustment	425,450	-	-	-	425,450
Fund balances beginning as adjusted	7,179,748	694,768	6,274,945	349,823	14,499,284
Fund balances ending	$ 7,390,104	$ 431,259	$ 6,932,467	$ 525,866	$ 15,279,696

The notes to the basic financial statements are an integral part of this statement.

Los Altos School District
Reconciliation of the Governmental Funds Statement of
Revenues and Expenditures and Changes in Fund Balances
to the Statement of Activities
For the Fiscal Year Ended June 30, 2011

Total net change in fund balances - governmental funds		$ 780,412
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Expenditures for capital asset additions	$ 156,551	
Less current year depreciation	(2,731,362)	(2,574,811)
The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:		
Repayment of site lease purchase obligations	$ 144,336	
Repayment of bond principal	4,155,000	4,299,336
Issuance costs, discounts and premiums related to bond issues is recorded as other financing sources and uses in the fund financial statements but is recorded as assets or liabilities and amortized over the life of the bond in the statement of net assets:		
Amortization of bond premium	$ 648,476	
Deferred loss on early retirment of long-term debt	(701,053)	
Amortization of bond issuance costs and discounts	(71,777)	(124,354)
In the statement of activities, the net postemployment benefit obligation is the amount by which the contributions toward the OPEB plan were less than the annual required contribution as actuarially determined. The net OPEB obligation was not recorded in the governmental fund statements. The change in the net OPEB obligation was recorded in the statement of activities in the amount of:		(680,297)
In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation used exceeded the amounts earned by:		(13,841)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		(1,408,838)
Changes in net assets of governmental activities		$ 277,607

The notes to the basic financial statements are an integral part of this statement.

Los Altos School District
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2011

	Student Body Agency Fund Total
Assets:	
Cash on hand and in banks	$ 134,823
Total Assets	$ 134,823
Liabilities	
Due to student groups	$ 134,823
Total Liabilities	$ 134,823

The notes to the basic financial statements are an integral part of this statement.

Notes to the Basic Financial Statements

Note 1. SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

Los Altos School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The account policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the U. S. Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants ("AICPA").

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District's combined financial statements include the accounts of all its operations. The District has evaluated whether any other entity should be included in these financial statements using criteria established by GASB. The District does not have any component units and is not a component unit of any reporting entity for the fiscal year ended June 30, 2011.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. Eliminations have been made to minimize the effect of interfund of activities. However, interfund services provided and used are not eliminated in the process of consolidation.

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

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

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus except for agency funds, which have no measurement focus.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

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

Unearned revenue:

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

Expenses/Expenditures:

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, than unrestricted resources as they are needed.

E. Fund Accounting

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

Major Governmental Funds:

- The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- The *Building Fund* is used to account for proceeds from the sale or lease of real property and account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.
- The *Bond Interest and Redemption Fund* is used to account for the interest and redemption of principal of general obligation bonds.

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. The District maintains one nonmajor special revenue funds:

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

Capital Projects Funds are used to account for resources restricted, committed or assigned for capital outlays. The District maintains one nonmajor capital projects fund:

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

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for the two intermediate schools' student body accounts. The student body funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the Bond Interest and Redemption Fund. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. A legally adopted budget is not required for the Bond Interest and Redemption Fund.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as Required Supplementary Information.

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

For the fiscal year ended June 30, 2011, books and supplies and capital outlay expenditures exceeded budget by $242,950 and $34,002, respectively, within the General Fund. In total, the expenditures of the General Fund were $347,558 within budget and the overages in the above categories were deemed by management to not be significant to the financial statements.

G. Encumbrances

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

H. Assets, Liabilities, and Equity

1. Cash and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Deposit Insurance Corporation except for non-interest bearing accounts which are completely insured.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other Districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. This includes cash in the County Treasury. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The

District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

2. Stores Inventories and Prepaid Expenditures

Stores inventories

Stores inventories are recorded using the purchases method, in that inventory acquisitions are initially recorded as expenditures. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The District's central warehouse inventory is valued at cost and consists of expendable supplies held for consumption.

Prepaid expenditures

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report any prepaid expenditures during the benefiting period, thus recording a prepaid expenditure in the Statement of Net Assets. The District did not report any prepaid expenditures for the fiscal year ended June 30, 2011.

3. Capital Assets

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

Assets	Years
Site improvements	20
Buildings	50
Portable buildings	20
Building improvements	20
Furniture and fixtures	20
Playground equipment	20
Food services equipment	15
Transportation equipment	15
Telephone system	10
Reprographics equipment	10
Vehicles	8
Computer system and equipment	5
Office equipment	5

4. Unearned Revenue

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

5. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

6. Long-Term Obligations

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

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

7. Fund Balance Classifications

The District maintains a minimum unassigned fund balance of not less than 8 percent of budgeted general fund expenditures and other financing uses as a reserve for economic uncertainties. The District believes a reserve of this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues to which basic aid districts are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the reserve for economic uncertainties consists of balances that are otherwise unassigned.

In accordance with Government Accounting Standards Board 54*, Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- Non-spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of trustees.
- Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Superintendent and the Assistant Superintendent of Business Services.
- Unassigned includes positive fund balance amounts within the general fund that have not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the district or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. When an incurred expense's purpose can be appropriately applied to either restricted or unrestricted net assets, the District applies the applicable expense to restricted net assets.

Capital Projects restrictions will be used for the acquisition and construction of capital facilities.

Debt Service restrictions reflect the cash balances in the debt service funds that are restricted for debt service payments by debt covenants.

Educational Program restrictions reflect the amounts to be expended for federal and state funded educational programs.

9. Revenue Limit/Property Tax

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

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

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

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

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

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

10. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District has joined together with other school districts in the County to form the South Bay Area Schools Insurance Authority ("SBASIA"), the Santa Clara County School Insurance Group ("SCCSIG"), and to participate in the Schools Excess Liability Fund (SELF) public entity risk pools currently operating as common risk management and insurance program. The District pays an annual premium for its property and casualty, workers' compensation, and liability insurance coverage. The joint powers agreements (JPA) provide that the SBASIA and SCCSIG will be self-sustaining through member premiums and will reinsure through commercial companies (or the excess JPA mentioned above) for claims in excess of self-insured levels.

There were no significant reductions in insurance coverage from coverage in the prior year and no insurance settlement exceeding insurance coverage in each of the past three years.

11. Interfund Transactions

Interfund transactions are reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are eliminated as part of the reconciliation to the government-wide financial statements.

12. Accounting Estimates

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

I. New Accounting Pronouncements

The Government Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required. The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010 (fiscal year ending June 30, 2011).

In order to implement and fully comply with the requirements of GASB 54, the District restated beginning fund balance in the General Fund by $425,450 to combine the Special Reserve fund for Other than Capital Outlay (Special Reserve Fund) with the General Fund. The Special Reserve Fund does not meet the definition of a special revenue fund as defined by GASB 54. In addition, all activity for the fiscal year ended June 30, 2011 was included in the General Fund for reporting in the governmental fund balance sheet.

J. Upcoming Accounting and Reporting Changes

Summary of GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements (Issued 11/10). The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The implementation of this standard will not have a significant impact on the District's financial statements.

Summary of Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34 (Issued 11/10). The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The implementation of this standard will not have a significant impact on the District's financial statements.

Summary of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (Issued 12/10). The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The implementation of this standard will **not** have a significant impact on the District's financial statements.

Summary of Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (Issued 06/11). This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local*

Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

Summary of Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions an amendment of GASB Statement No. 5 (Issued 06/11). The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. The implementation of this standard will **not** have a significant impact on the District's financial statements.

Note 2. CASH AND INVESTMENTS

A. Summary of Deposits

A summary of cash and investments as of June 30, 2011 is as follows:

Deposit or Investment		Carrying Amount		Fair Value	Investment Rating
Cash in county treasury investment pool	$	14,545,351	$	14,563,385	AA
Cash in revolving fund		5,000		5,000	n/a
Cash collection awaiting deposit		54,990		54,990	n/a
Cash with Fiscal Agent		6,500,000		6,500,000	n/a
Subtotal cash and investments		21,105,341		21,123,375	
Fiduciary funds cash		134,823		134,823	
Total Cash and Investments	$	21,240,164	$	21,258,198	

B. Cash in banks and revolving funds

Cash balances in banks and revolving funds are insured up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2011, the bank balance of the District's accounts with banks was $142,529, which was fully insured by FDIC.

C. Cash in County Treasury

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

D. Policies and Practices

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

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

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. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Santa Clara County Investment Pool with a fair value of approximately $3.95 billion and an amortized book value of $3.94 billion. The average weighted maturity for this pool is 452 days. The District follows the County's interest rate risk policy but does not have a formal investment policy.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Santa Clara County Investment Pool is governed by the County's general investment policy, which is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The County's investment policy limits all investments to the top three ratings issued by at least two of the nationally recognized statistical rating organizations (NRSRO). The District follows the County's credit risk policy but does not have a formal investment policy.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Custodial Credit Risk – Investments

This 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. All of the District's cash has been invested with the Santa Clara County Investment Pool and is governed by the County's general investment policy.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

Note 3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2011:

Receivables Categories	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Totals
Federal Government:					
Special education	$ 180,504	$ -	$ -	$ -	$ 180,504
Education Jobs Fund	91,372	-	-	-	91,372
Other federal resources	192,042	-	-	-	192,042
State Government:					
Lottery	293,178	-	-	-	293,178
Special education	446,966	-	-	-	446,966
Interest	22,197	1,198	5,554	277	29,226
Miscellaneous	88,455	-	-	-	88,455
Total Receivables	1,314,714	1,198	5,554	277	1,321,743
Less: Due from Other Governments	446,966	-	-	-	446,966
Accounts Receivable	$ 867,748	$ 1,198	$ 5,554	$ 277	$ 874,777

Note 4. INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

A. Interfund Receivables and Payables (Due to/from)

As of June 30, 2011, the Building Fund owes $370,000 to the Capital Facilities Fund for facilities acquisition and construction loans. In turn the Capital Facilities fund owes the Building Fund $280,000 for capital projects.

B. Interfund Transfers in and out

Interfund transfers consisted of the following as of June 30, 2011:

Fund Receiving Transfers	Fund Making Transfers	Amount	
Deferred Maintenance Fund	General Fund	$ 148,532	1
Capital Facilities Fund	Building Fund	150,000	2
Special Reserve Fund (General Fund)	General Fund	1,215,930	3
Total Interfund Transfers		$ 1,514,462	

1 Transfer of unrestricted deferred maintenance money from the General Fund for facilities upkeep
2 Transfers to the Capital Facilities fund for capital projects and site improvements
3 Transfers from General Fund to Special Reserve fund which is combined with the General Fund

Note 5. CAPITAL ASSETS AND DEPRECIATION

Capital asset activities for the year ended June 30, 2011 were as follows:

Capital Asset Category	Balance June 30, 2010	Additions	Disposals	Adjustments & Reclassifications	Balance June 30, 2011
Non-Depreciable Capital Assets:					
Land	$ 1,488,885	$ -	$ -	$ -	$ 1,488,885
Subtotal non-depreciable capital assets	1,488,885	-	-	-	1,488,885
Depreciable Capital Assets:					
Site improvements	1,225,056	-	-	-	1,225,056
Buildings and improvements	127,278,911	-	-	-	127,278,911
Equipment	1,578,369	156,551	-	-	1,734,920
Subtotal depreciable capital assets	130,082,336	156,551	-	-	130,238,887
Less accumulated depreciation for:					
Site improvements	1,028,922	12,750	-	-	1,041,672
Buildings and improvements	22,394,147	2,492,413	-	-	24,886,560
Equipment	950,296	226,199	-	-	1,176,495
Total accumulated depreciation	24,373,365	2,731,362	-	-	27,104,727
Subtotal depreciable capital asset - net depreciation	105,708,971	(2,574,811)	-	-	103,134,160
Capital Assets - Net	$ 107,197,856	$ (2,574,811)	$ -	$ -	$ 104,623,045

Depreciation expense was charged to governmental activities as follows:

Governmental Activities Depreciation Expense by Function	
Instruction	$ 2,131,580
Supervision of instruction	7,201
Instruction library, media and technology	193,648
School site administration	206,641
Food services	739
All other pupil services	1,445
Data processing	6,432
All other general administration	53,802
Plant services	129,874
Total Depreciation Expense	$ 2,731,362

Note 6. TAX AND REVENUE ANTICIPATION NOTES

The District issued $6,500,000 of tax and revenue anticipation notes dated July 14, 2010. The notes matured on June 30, 2011 and yield 2% interest. The TRAN was issued to supplement cash flow and earned interest of $124,944. The accrued interest expense of $83,590 was paid in June of 2011. All TRAN payments are made from the General Fund.

The TRAN summary schedule of changes for the year ended June 30, 2011 was as follow:

Beginning balance	$	7,500,000
Decreases		(7,500,000)
Increases		6,500,000
Ending Balance	$	6,500,000

Note 7. LONG-TERM LIABILITIES

A. Defeased Debt

On June 22, 2006, the District issued $112 million in 2006 General Obligation Refunding Bonds with interest rate ranging from 4.0 percent to 5.0 percent to advance refund $88 million of outstanding general obligation bonds, with interest rate ranging from 4.0 percent to 10.0 percent, as follows: (i) $34.6 million of 1999 General Obligation Bonds (Election of 1998, Series A, the "Series A Bonds"); (ii) $46.2 million of 2001 General Obligation Bonds (Election of 1998, Series B, the "Series B Bonds") and (iii) $7.2 million of 2003 General Obligation Bonds (Election of 1998, Series C, the "Series C Bonds"). Collectively the Series A Bonds, Series B Bonds, and Series C Bonds are referred to as the "Refunded Bonds." The net proceeds of $99.9 million (after payment of $1.2 million in underwriting fees, insurance and other issuance costs and a capital improvement reserve of $10.9 million) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Refunded Bonds. As a result, the Refunded Bonds are considered to be defeased and the liability of those bonds has been removed from the government-wide statement of net assets.

The advance refunding resulted in a difference of $11.9 million between the reacquisition price and the net carrying value amount of the old debt. The difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged (amortized) to operations through the year of 2024 using the straight line method. The District completed the advance refunding to reduce its total debt service payments over the next 19 years by 1.2 million and obtain an economic gain (the difference between the present value of the old and new debt service payments) of $3.7 million.

The 2006 General Obligation Refunding Bonds consist of Current Interest Bonds of $92,215,000 and Capital Appreciation Bonds of $8,854,000. Interest on Current Interest Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2006. It bears interest rates ranging from 4.0% to 5.0%. The principal of the bonds is payable on August 1 of each year, commencing August 1, 2006. The Current Interest Bonds maturing on and after August 1, 2017 are subject to optional redemption prior to maturity at the option of the District beginning on August 1, 2016. The Capital Appreciation Bonds will not bear current interest, but will accrete interest, at their stated Bond Yields, commencing on their date of delivery, from their respective Denominational Amounts to their respective Maturity Values on their respective maturity dates. Interest is compounded semiannually on each February 1 and August 1, commencing August 1, 2006. The principal and interest of the bonds is payable on August 1 of each year for the Capital Appreciation Bonds, commencing August 1, 2011. The Capital Appreciation Bonds are not subject to redemption prior to their stated maturity dates.

The annual debt service requirements of the 2006 General Obligation Refunding Bonds, Current Interest and Capital Appreciation Bonds, as of June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2012	3,060,520	5,587,580	8,648,100
2013	3,197,920	5,788,380	8,986,300
2014	3,392,000	5,946,700	9,338,700
2015	3,639,800	6,053,875	9,693,675
2016	3,963,760	6,108,290	10,072,050
2017-2021	43,750,000	11,556,275	55,306,275
2022-2024	25,660,000	1,031,375	26,691,375
Total Debt Service	$ 86,664,000	$ 42,072,475	$ 128,736,475

B. Site Lease Deposits

In June 2008, the District entered into a lease-leaseback agreement in which the Gardner Bullis School site, located on 25890 Fremont Road, Los Altos Hills, California, (owned by the District) was leased to a third party for a $2,165,000 advance and subsequently leased back to the District pursuant to a 20 year operating lease. The District retained ownership of the underlying land and, therefore, accounted for the transaction under the deposit method of accounting as a lease purchase.

In October 2008, the District entered into a lease-leaseback agreement in which a site in Los Altos Hills, California, (owned by the District) was leased to a third party for a $2,025,000 advance and subsequently leased back to the District pursuant to a 20 year operating lease. The District retained ownership of the underlying land and, therefore, accounted for the transaction under the deposit method of accounting as a lease purchase.

The principal and interest payments on the lease are payable twice a year and began in July of 2008 and end in November of 2028. The following is a schedule of the future minimum lease payments required under the lease:

Year Ending, June 30,	Principal	Interest	Total Payment
2012	$ 151,303	$ 181,500	$ 332,803
2013	158,606	174,197	332,803
2014	166,261	166,541	332,802
2015	174,286	158,517	332,803
2016	182,698	150,104	332,802
2017-2021	1,054,592	609,419	1,664,011
2022-2026	1,334,893	329,120	1,664,013
2027-2029	618,886	38,949	657,835
Total Lease Payable	$ 3,841,525	$ 1,808,348	$ 5,649,873

C. Schedule of Changes in Long-term Liabilities

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

Long-term Liabilities	Balance July 01, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
2006 GO Refunding Bond:					
Current Interest Bonds	$ 81,965,000	$ -	$ 4,155,000	$ 77,810,000	$ 3,060,520
Capital Appreciation Bonds	8,854,000	-	-	8,854,000	-
Unamortized bond premium	8,430,187	-	648,476	7,781,711	648,476
Total 2006 GO Refunding Bond	99,249,187	-	4,803,476	94,445,711	3,708,996
Deferred loss on early retirement of long-term debt	(9,113,697)	-	(701,053)	(8,412,644)	(701,053)
Net 2006 GO Refunding Bond	90,135,490	-	4,102,423	86,033,067	3,007,943
Site lease purchases	3,985,861	-	144,336	3,841,525	151,303
Net postemployment benefits	654,844	1,542,093	861,796	1,335,141	-
Compensated Absences	208,445	220,052	206,210	222,287	222,287
Total Long-term Liabilities	$ 94,984,640	$1,762,145	$ 5,314,765	$ 91,432,020	$ 3,381,533

Payments on the general obligation bonds are made from the Bond Interest and Redemption Fund using local revenues. Compensated absences and net postemployment benefits are paid by the General Fund. Site lease payments also are made from the General Fund.

Note 8. OPERATING LEASES

The District has entered into various operating leases for portables, building space and office equipment with lease terms in excess of one year. None of the agreements contain purchase options. All of the agreements contain termination clauses providing for lease cancellation after written notice is provided to the lessors. However, it is unlikely that the District will cancel any of the agreements before the expiration date. It is expected that in the normal course of business most of these leases will be replaced by similar leases. None of the leases have been sublet. The rent expense for the fiscal year ended June 30, 2011 was $877,468 and the annual minimum lease payment is expected to be approximately $639,000 for each of the next five years.

Note 9. JOINT POWERS AGREEMENTS

The District participates in five joint powers agreement ("JPA") entities: the South Bay Area Schools Insurance Authority ("SBASIA"), the Schools Excess Liability Fund ("SELF"), the Santa Clara County Schools Insurance Group ("SCCSIG"), Community Health Awareness Council ("CHAC"), and the Silicon Valley Joint Powers Transportation Agency ("SVJPTA"). A board consisting of a representative from each member district governs each JPA. The governing boards control the operation of the JPAs independent of any influence by the District beyond the District's representation on the governing board. Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the governing board. Member districts share surpluses and deficits proportionately to their participation. The relationship between the District and each JPA is such that each JPA is not a component unit of the District for financial reporting purposes. The following is the summary of coverage provided by each JPA, and each JPA's most recent financial statement information:

	Risk Management			Other	
	SBASIA June 30, 2011	SELF June 30, 2011	SCCSIG June 30, 2011	SVJPTA June 30, 2011	CHAC June 30, 2011
Total Assets	$ 4,660,164	$ 61,306,000	$ 16,586,785	$ 1,050,091	$ 1,556,469
Total Liabilities	2,596,007	28,613,000	6,933,969	646,188	146,385
Total Equity	2,064,157	32,693,000	9,652,816	403,903	1,410,084
Total Revenues	3,288,291	16,509,000	32,270,130	7,694,809	2,328,502
Total Expenditures	3,595,923	19,523,000	34,251,818	7,676,811	2,545,886

SBASIA provides property and liability insurance coverage.
SELF provides excess liability insurance coverage.
SCCSIG provides worker's compensation insurance.
SVJPTA provides transportation services to students with disabilities.
CHAC provides treatment services and prevention & intervention conseling services

Note 10. COMMITMENTS AND CONTINGENCIES

A. Litigation

Various claims involving the District are currently outstanding. However, management believes, based on consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

B. Federal and State Allowances, Award, and Grants

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

C. Early Retirement

The board of education has adopted an early retirement incentive program. The District has entered into contracts with certain eligible employees whereby 20 service days per year will be performed during the future five year period or age 65, whichever comes first, for a stipulated yearly amount plus employee benefits. The outstanding contract amount for this purpose is $191,518. This amount is contingent upon the employees performing the required service days per year.

Note 11. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System ("STRS"), and classified employees are members of the Public Employees' Retirement System ("PERS").

A. State Teachers' Retirement System

1. Plan Description

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

2. Funding Policy

Active plan members are required to contribute 8% of their salaries and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ended June 30, 2011, 2010 and 2009 were $1,643,718, $1,652,347 and $1,690,765 respectively, and equal to 100% of the required contributions for each year.

B. Public Employees' Retirement System

1. Plan Description

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

2. Funding Policy

Active plan members are required to contribute 7% of their salaries (7% of monthly salary over $133.33 if the member participates in Social Security), and the District is required to contribute at an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2011 was 10.707% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to PERS for the fiscal year ended June 30, 2011, 2010 and 2009 were $740,460, $528,212 and $505,982 respectively, and equal to 100% of the required contributions for each year.

3. Annual Pension Cost

For fiscal year ended June 30, 2011, the District required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) 7.75% investment rate of return (net of administrative expenses); (b) projected annual salary increases that vary by age, duration of service, and type of employment; (c) 3.0% inflation; (d) 3.25% payroll growth; and (e) individual salary growth based on a merit scale varying by duration of employment coupled with an assumed annual inflation of 3.0% and an annual production growth of 0.25%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value) depending on the size of investment gains and/or losses. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of payroll over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Note 12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The Los Altos School District Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the District. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the District, its management employees, and unions representing District employees. The District provides retiree medical benefits through the California Public Employees' Retirement System healthcare program (PEMHCA). The District contributes up to the highest monthly PEMHCA premium, excluding PERSCare, for employees hired before certain dates in 1988 and 1989 which vary by bargaining group (95% of this benefit provided if retired on or after July 1, 2006). The District contributes the PEMHCA minimum to employees hired after these dates (35 years of District service is required if retired after May 1, 2011). The District also provides medical coverage through Merchant Industry Trust to 5 grandfathered retirees. Dental and dependent coverage are only provided to Management and Confidential employees hired before July 1, 1989 and November 1, 1988, respectively. No vision or life insurance benefits are provided. As of January 1, 2010, plan membership consisted of 418 active participants and 180 retirees and beneficiaries, with 163 currently receiving benefits. Copies of the Plan's annual audited financial report are not available.

Funding Policy. There is no statutory requirement for the District to prefund its OPEB obligation. The District has currently chosen to pay plan benefits on a pay-as-you-go basis. There are no employee contributions. For fiscal years 2010/11 and 2009/10, the District paid $861,796 and $899,199 for retiree healthcare plan benefits. The Annual Required Contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC is equal to the normal cost plus a 30-year amortization of the unfunded actuarial liability.

Annual OPEB Cost and Net OPEB Obligation. The following table, based on the District's actuarial valuation as of January 1, 2009, shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's Net OPEB obligation:

Annual required contribution	$ 1,265,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	277,093
Annual OPEB cost (expense)	1,542,093
Contributions made	(861,796)
Increase in net OPEB obligation	680,297
Net OPEB obligation - beginning of year	654,844
Net OPEB obligation - end of year	$ 1,335,141

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2009/10 and 2010/11 are as follows:

Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	$ 1,280,000	77.89%	$ 283,043
6/30/2010	$ 1,271,000	70.75%	654,844
6/30/2011	$ 1,542,093	55.88%	1,335,141

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are consistent with the long-term perspective of the calculations.

In the January 1, 2009 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.25% investment rate of return, which is the expected long-term investment return on District investments, a 3% general inflation assumption, an annual aggregate payroll increase rate of 3.25%, and an annual pre-Medicare medical cost trend of 8.4% (HMO Kaiser), 9.4% (HMO Other), and 10.0% (PPO) for 2010 decreasing to 4.5% after 6 years (the post-Medicare medical cost trend starts 0.3% higher for 2010). The UAAL is being amortized as a level dollar amount over 30 years on a closed basis, starting June 30, 2008.

Note 13. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (the "Notes")

The District issued $6,500,000 of tax and revenue anticipation notes dated July 14, 2011. The notes mature on June 30, 2011 and yield 2% interest. The notes were sold to supplement cash flow. Both the principal and interest on the notes are payable in full by June 30, 2011.

Required Supplementary Information Section

Los Altos School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
Revenues:				
Revenue limit sources:	$ 25,739,548	$ 25,311,291	$ 25,458,478	$ 147,187
Federal revenues	976,010	1,790,494	1,783,741	(6,753)
Other state	1,546,425	2,500,771	2,115,088	(385,683)
Other local	12,267,479	12,824,309	13,745,066	920,757
Total revenues	40,529,462	42,426,865	43,102,373	675,508
Expenditures:				
Certificated salaries	19,885,324	20,019,884	19,854,449	165,435
Classified salaries	6,215,701	6,628,318	6,622,268	6,050
Employee benefits	9,052,936	9,388,673	9,269,958	118,715
Books and supplies	1,285,964	1,383,510	1,626,460	(242,950)
Services and other operating expenditures	5,030,510	5,153,011	4,820,861	332,150
Capital outlay	176,881	179,344	213,346	(34,002)
Other outgo	338,303	338,303	336,143	2,160
Total expenditures	41,985,619	43,091,043	42,743,485	347,558
Excess (deficiency) of revenues over (under) expenditures	(1,456,157)	(664,178)	358,888	1,023,066
Other financing sources (uses):				
Transfers in	-	-	1,215,930	1,215,930
Transfers out	(125,505)	(1,364,462)	(1,364,462)	-
Total other financing sources (uses)	(125,505)	(1,364,462)	(148,532)	1,215,930
Change in fund balance	(1,581,662)	(2,028,640)	210,356	2,238,996
Fund balances beginning	6,754,298	6,754,298	6,754,298	-
Prior period adjustment	425,450	425,450	425,450	-
Fund balances beginning as adjusted	7,179,748	7,179,748	7,179,748	-
Fund balances ending	$ 5,598,086	$ 5,151,108	$ 7,390,104	$ 2,238,996

Notes to RSI:
The budgetary information in the above schedule is presented in the GAAP basis which serves as the District's basis for budgeting.

Los Altos School District
Required Supplementary Information
Employee Retirement and Other Postemployment Benefits
For the Fiscal Year Ended June 30, 2011

Schedule of Funding Progress - Postemployment Healthcare Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c))
1/1/2009	-	18,322,000	18,322,000	0.00%	26,320,000	69.61%

Schedule of Employer Contributions - Postemployment Healthcare Plan

Year Ended June 30,	Annual Required Contribution	Contributions Made	Percentage Contribution
2009	$ 1,280,000	$ 996,992	77.89%
2010	1,271,000	899,199	70.75%
2011	1,265,000	861,796	68.13%

STRS Actuarial Pool for California School Districts (millions)

Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2008	$ 177,734	$ 155,215	$ 22,519	87%	$ 27,118	83%
2009	185,683	145,142	40,541	78%	27,327	148%
2010	196,315	140,291	56,024	71%	26,275	213%

CalPERS Actuarial Pool for California School Districts (millions)

Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2007	$ 44,810	$ 41,579	$ 3,231	92.8%	$ 9,615	33.6%
2008	48,540	45,550	2,990	93.8%	10,450	28.6%
2009	52,490	34,150	18,340	65.1%	10,420	176.0%

Other Supplementary Information

Los Altos School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
Building Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive -
	Original	Final	Actual (GAAP Basis)	(Negative)
Revenues:				
Other state	$ 800,000	$ 467,880	$ 467,880	$ -
Other local	191,580	183,480	183,942	462
Total revenues	991,580	651,360	651,822	462
Expenditures:				
Books and supplies	-	24,000	23,935	65
Services and other operating expenditures	251,364	263,390	645,078	(381,688)
Capital outlay	110,000	150,000	96,318	53,682
Total expenditures	361,364	437,390	765,331	(327,941)
Excess (deficiency) of revenues over (under) expenditures	630,216	213,970	(113,509)	(327,479)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(100,000)	(220,000)	(150,000)	70,000
Total other financing sources (uses)	(100,000)	(220,000)	(150,000)	70,000
Change in fund balance	530,216	(6,030)	(263,509)	(257,479)
Fund balances beginning	694,768	694,768	694,768	-
Fund balances ending	$ 1,224,984	$ 688,738	$ 431,259	$ (257,479)

Los Altos School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

	Special Revenue Fund	Capital Projects Fund	
	Deferred Maintenance Fund	Capital Facilities Fund	Total Nonmajor Governmental Funds
Assets			
Cash in county treasury	$ 242,258	$ 185,146	$ 427,404
Cash on hand	-	8,185	8,185
Accounts receivable	236	41	277
Due from other funds	-	370,000	370,000
Total Assets	$ 242,494	$ 563,372	$ 805,866
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	$ -	$ 280,000	$ 280,000
Total Liabilities	-	280,000	280,000
Fund Balances:			
Assigned for site repairs	242,494	-	242,494
Assigned for capital projects	-	283,372	283,372
Total Fund Balances	242,494	283,372	525,866
Total Liabilities and Fund Balances	$ 242,494	$ 563,372	$ 805,866

Los Altos School District
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2011

	Special Revenue Fund	Capital Projects Fund	
	Deferred Maintenance Fund	Capital Facilities Fund	Total Nonmajor Governmental Funds
Revenues:			
Other local	1,397	409,542	410,939
Total revenues	1,397	409,542	410,939
Expenditures:			
Current			
Plant services	127,011	100,279	227,290
Facilities acquisition and construction	69,181	236,957	306,138
Total expenditures	196,192	337,236	533,428
Excess (deficiency) of revenues over (under) expenditures	(194,795)	72,306	(122,489)
Other financing sources (uses):			
Transfers in	148,532	150,000	298,532
Total other financing sources (uses)	148,532	150,000	298,532
Change in fund balances	(46,263)	222,306	176,043
Fund balances beginning	288,757	61,066	349,823
Fund balances ending	$ 242,494	$ 283,372	$ 525,866

Los Altos School District
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP)
For the Fiscal Year Ended June 30, 2011

	Deferred Maintenance Fund			Capital Facilities Fund			Total Nonmajor Governmental Funds		
	Budget	Actual	Variance Positive - (Negative)	Budget	Actual	Variance Positive - (Negative)	Budget	Actual	Variance Positive - (Negative)
Revenues:									
Other local	6,000	1,397	(4,603)	450,100	409,542	(40,558)	456,100	410,939	(45,161)
Total revenues	6,000	1,397	(4,603)	450,100	409,542	(40,558)	456,100	410,939	(45,161)
Expenditures:									
Classified salaries	56,575	56,120	455	-	-	-	56,575	56,120	455
Employee benefits	32,387	32,349	38	-	-	-	32,387	32,349	38
Books and supplies	-	-	-	44,000	42,438	1,562	44,000	42,438	1,562
Services and other operating expenditures	41,000	38,542	2,458	516,600	133,714	382,886	557,600	172,256	385,344
Capital outlay	76,000	69,181	6,819	163,820	161,084	2,736	239,820	230,265	9,555
Total expenditures	205,962	196,192	9,770	724,420	337,236	387,184	930,382	533,428	396,954
Excess (deficiency) of revenues over (under) expenditures	(199,962)	(194,795)	5,167	(274,320)	72,306	346,626	(474,282)	(122,489)	351,793
Other financing sources (uses):									
Transfers in	125,505	148,532	23,027	220,000	150,000	(70,000)	345,505	298,532	(46,973)
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	125,505	148,532	23,027	220,000	150,000	(70,000)	345,505	298,532	(46,973)
Changes in fund balances	(74,457)	(46,263)	28,194	(54,320)	222,306	276,626	(128,777)	176,043	304,820
Fund balances beginning	288,757	288,757	-	61,066	61,066	-	349,823	349,823	-
Fund balances ending	$ 214,300	$ 242,494	$ 28,194	$ 6,746	$ 283,372	$ 276,626	$ 221,046	$ 525,866	$ 304,820

Los Altos School District
Fiduciary Funds
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2011

	Balance as of June 30, 2010	Additions	Deletions	Balance as of June 30, 2011
Assets				
Cash on hand and in banks				
Egan Junior High School	$ 122,522	$ 670,862	$ 673,804	$ 119,580
Blach Junior High School	18,351	154,744	157,852	15,243
Total cash on hand and in banks	140,873	825,606	831,656	134,823
Total Assets	140,873	825,606	831,656	134,823
Liabilities				
Due to student groups				
Egan Junior High School	122,522	670,862	673,804	119,580
Blach Junior High School	18,351	154,744	157,852	15,243
Total due to student groups	140,873	825,606	831,656	134,823
Total Liabilities	$ 140,873	$ 825,606	$ 831,656	$ 134,823

Los Altos School District
Schedule of General Capital Assets by Source
June 30, 2011

	Cost Basis June 30, 2011	Accumulated Depreciation	Book Value June 30, 2011
Capital assets			
Land	$ 1,488,885	$ -	$ 1,488,885
Site improvements	1,225,056	1,041,673	183,383
Buildings and improvements	127,278,911	24,886,558	102,392,353
Equipment	1,734,920	1,176,496	558,424
Total capital assets	$ 131,727,772	$ 27,104,727	$ 104,623,045
Capital assets by source:			
General Fund	$ 4,172,998	$ 2,119,616	$ 2,053,382
Deferred Maintenance Fund	109,388	25,657	83,731
Building Fund	126,439,008	24,800,109	101,638,899
Capital Facilities Fund	1,006,378	159,345	847,033
Total capital assets by source	$ 131,727,772	$ 27,104,727	$ 104,623,045

Los Altos School District

Schedule of General Capital Assets by Function and Activity

June 30, 2011

Function and Activity	Land	Site Improvements	Buildings and Improvements	Equipment	Total	Accumulated Depreciation	Net Book Value
Instruction	$ 1,488,885	$ 130,276	$ 100,659,767	$ 885,711	$ 103,164,639	$ 20,575,149	$ 82,589,490
Supervision of instruction	-	-	360,061	-	360,061	65,671	294,390
Instruction library, media and technology	-	3,074	9,773,451	-	9,776,525	1,786,648	7,989,877
School site administration	-	1,032,467	8,472,418	425,822	9,930,707	2,980,097	6,950,610
Food services	-	384	37,143	9,631	47,158	13,131	34,027
All other pupil services	-	384	81,426	-	81,810	45,987	35,823
Data processing	-	-	137,685	41,175	178,860	50,514	128,346
All other general administration	-	-	2,702,448	24,500	2,726,948	644,370	2,082,578
Plant services	-	58,471	5,054,512	348,081	5,461,064	943,160	4,517,904
Total capital assets	$ 1,488,885	$ 1,225,056	$ 127,278,911	$ 1,734,920	$ 131,727,772	$ 27,104,727	$ 104,623,045

Los Altos School District

Schedule of Changes in General Capital Assets by Function and Activity

For the Fiscal Year Ended June 30, 2011

Function and Activity	Capital Assets June 30, 2010	Additions	Deletions	Capital Assets June 30, 2011	Accumulated Depreciation June 30, 2010	Additions	Deletions	Accumulated Depreciation June 30, 2011	Net Book Value
Instruction	$ 103,050,453	$ 114,186	$ -	$ 103,164,639	$ 18,443,569	$ 2,131,580	$ -	$ 20,575,149	$ 82,589,490
Supervision of instruction	360,061	-	-	360,061	58,470	7,201	-	65,671	294,390
Instruction library, media and technology	9,776,525	-	-	9,776,525	1,593,000	193,648	-	1,786,648	7,989,877
School site administration	9,930,707	-	-	9,930,707	2,773,456	206,641	-	2,980,097	6,950,610
Food services	47,158	-	-	47,158	12,392	739	-	13,131	34,027
All other pupil services	81,810	-	-	81,810	44,542	1,445	-	45,987	35,823
Data processing	165,384	13,476	-	178,860	44,082	6,432	-	50,514	128,346
All other general administration	2,726,948	-	-	2,726,948	590,568	53,802	-	644,370	2,082,578
Plant services	5,432,175	28,889	-	5,461,064	813,286	129,874	-	943,160	4,517,904
Total capital assets	$ 131,571,221	$ 156,551	$ -	$ 131,727,772	$ 24,373,365	$ 2,731,362	$ -	$ 27,104,727	$ 104,623,045

Statistical Section

Statistical Section (Unaudited)

The Statistical Section presents information useful in giving the reader an overall understanding of the school district as well as an historical perspective regarding financial information in this report. Unless noted otherwise, historical data is presented for the most recent ten-year period. The information in this section helps the reader better understand the overall financial health of the district.

Financial Trends

These schedules contain trend information to help the reader understand how the district's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.

Economic and Demographic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the district's financial activities take place.

Operating Information

These schedules contain service and capital asset data to help the reader understand how the information in the financial report relates to the services the district provides and the activities it performs.

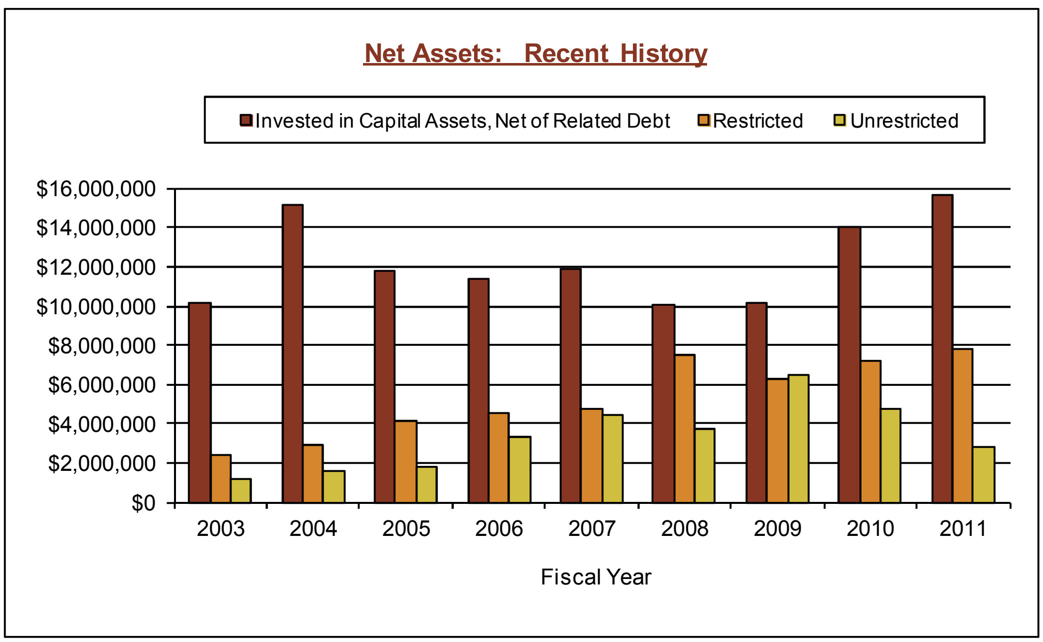
Note: The district implemented GASB Statement No. 34 in fiscal year 2002–03. Schedules presenting government-wide information include information beginning in that year.

Net Assets by Component

Fiscal Year	Invested in Capital Assets, Net of Related Debt	Restricted	Unrestricted	Total
2003	$ 10,193,815	$ 2,449,302	$ 1,145,129	$ 13,788,246
2004	$ 15,163,405	$ 2,948,950	$ 1,585,104	$ 19,697,459
2005	$ 11,790,516	$ 4,141,209	$ 1,823,734	$ 17,755,459
2006	$ 11,369,936	$ 4,522,081	$ 3,368,812	$ 19,260,829
2007	$ 11,898,470	$ 4,775,888	$ 4,452,343	$ 21,126,701
2008	$ 10,059,123	$ 7,478,699	$ 3,717,166	$ 21,254,988
2009	$ 10,143,853	$ 6,242,842	$ 6,482,798	$ 22,869,493
2010	$ 14,009,604	$ 7,156,505	$ 4,805,344	$ 25,971,453
2011	$ 15,609,775	$ 7,798,583	$ 2,840,702	$ 26,249,060

Information available only since FY 2003, the year GASB 34 was implemented.

Source: Data extracted from District Financial Statements.



Change in Net Assets

	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Expenses									
Governmental Activities									
Instruction	$ 22,256,186	$ 23,031,493	$ 25,956,666	$ 26,338,576	$ 29,114,176	$ 30,678,800	$ 31,994,828	$ 30,939,120	$ 32,026,266
Instruction-related services	2,599,949	2,765,767	2,925,391	3,408,301	3,704,634	4,217,861	4,322,623	4,429,222	4,274,264
Pupil services	1,765,685	1,685,076	1,704,609	1,780,992	1,986,613	2,082,925	2,144,915	2,248,887	2,370,819
General administration	3,025,307	3,842,776	3,188,511	2,998,713	2,784,208	2,700,089	2,631,750	3,015,739	2,928,965
Plant services	4,838,124	3,338,470	3,598,358	4,074,580	4,016,375	4,193,525	4,801,128	4,832,257	5,214,914
Facilities acquisition and construction	-	-	1,540,120	164,685	385,721	984,314	-	-	-
Other educational programs	183,697	119,828	698,513	903,635	1,382,410	5,380	-	-	3,340
Interest and fiscal charges	3,077,663	3,478,651	3,801,985	2,625,209	4,927,496	4,661,558	4,706,547	4,499,114	5,743,858
Total Governmental Activities	37,746,611	38,262,061	43,414,153	42,294,691	48,301,633	49,524,452	50,601,791	49,964,339	52,562,426
Special Item - Bond Arbitrage		799,213							
Total Expenses	37,746,611	39,061,274	43,414,153	42,294,691	48,301,633	49,524,452	50,601,791	49,964,339	52,562,426
Revenues									
Program Revenues									
Charges for Services									
Pupil Services	462,697	352,713	1,675	1,132	21,894	8,106	1,587	531	565
Operating Grants and Contributions	14,439,918	11,470,125	4,645,749	4,553,367	6,091,317	5,624,637	5,414,423	4,970,086	4,946,391
Total Program Revenues	14,902,615	11,822,838	4,647,424	4,554,499	6,113,211	5,632,743	5,416,010	4,970,617	4,946,956
Net Revenue/(Expense)	(22,843,996)	(27,238,436)	(38,766,729)	(37,740,192)	(42,188,422)	(43,891,709)	(45,185,781)	(44,993,722)	(47,615,470)
General Revenues									
Property taxes	25,167,472	29,986,336	31,625,124	33,358,076	36,884,366	38,063,765	40,226,775	43,121,882	43,424,004
Grants and entitlements, unrestricted	1,961,826	2,163,441	2,586,363	2,865,431	3,423,867	2,973,588	2,785,203	1,739,376	560,790
Interest and investment earnings	971,060	591,287	415,252	437,524	1,036,178	726,272	429,949	165,935	160,518
Miscellaneous	227,600	406,585	2,197,990	2,584,531	2,709,884	2,513,383	3,358,359	3,068,489	3,747,765
Total General Revenues	28,327,958	33,147,649	36,824,729	39,245,562	44,054,295	44,277,008	46,800,286	48,095,682	47,893,077
Special Item - Loss on disposals						(257,013)			
Total General Revenues and special items						44,019,995			
Total Revenues	$ 43,230,573	$ 44,970,487	$ 41,472,153	$ 43,800,061	$ 50,167,506	$ 49,909,751	$ 52,216,296	$ 53,066,299	$ 52,840,033
Change in Net Assets	**$ 5,483,962**	**$ 5,909,213**	**$ (1,942,000)**	**$ 1,505,370**	**$ 1,865,873**	**$ 128,286**	**$ 1,614,505**	**$ 3,101,960**	**$ 277,607**

Information available only since FY 2003, the year GASB 34 was implemented.

Source: Data extracted from District Financial Statements.

Government-wide Expenses by Function, Total

Fiscal Year	*Enrollment*	Instruction	Instruction-related services	Pupil services	General administration	Plant services	Facilities acquisition & construction	Other Educ. programs	Interest and Fiscal Charges	Total
2003	*4,032*	$ 22,256,186	$ 2,599,949	$ 1,765,685	$ 3,025,307	$ 4,838,124		$ 183,697	$ 3,077,663	$ 37,746,611
2004	*4,050*	23,031,493	2,765,767	1,685,076	3,842,776	3,338,470		119,828	3,478,651	38,262,061
2005	*3,941*	25,956,666	2,925,391	1,704,609	3,188,511	3,598,358	1,540,120	698,513	3,801,985	43,414,153
2006	*4,036*	26,338,576	3,408,301	1,780,992	2,998,713	4,074,580	164,685	903,635	2,625,209	42,294,691
2007	*4,158*	29,114,176	3,704,634	1,986,613	2,784,208	4,016,375	385,721	1,382,410	4,927,496	48,301,633
2008	*4,265*	30,678,800	4,217,861	2,082,925	2,700,089	4,193,525	984,314	5,380	4,661,558	49,524,452
2009	*4,245*	31,994,828	4,322,623	2,144,915	2,631,750	4,801,128			4,706,547	50,601,791
2010	*4,287*	30,939,120	4,429,222	2,248,887	3,015,739	4,832,257			4,499,114	49,964,339
2011	*4,384*	32,026,266	4,274,264	2,370,819	2,928,965	5,214,914		3,340	5,743,858	52,562,426

Information available only since FY 2003, the year GASB 34 was implemented.

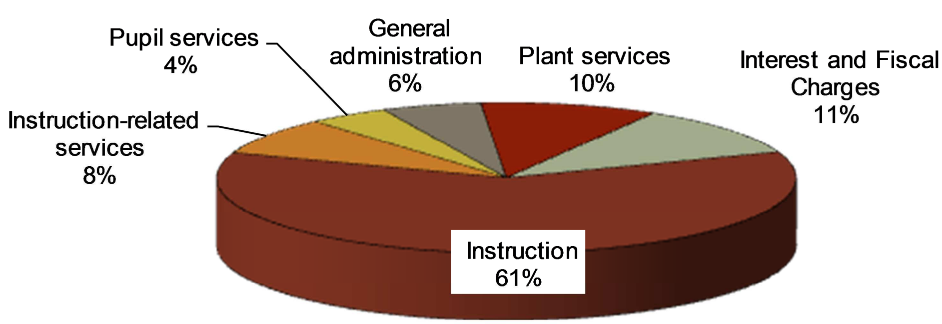
Source: District records.

Government-wide Expenses by Function, Per Student

Fiscal Year	*Enrollment*	Instruction	Instruction-related services	Pupil services	General administration	Plant services	Facilities acquisition & construction	Other Educ. programs	Interest and Fiscal Charges	Total
2003	*4,032*	$ 5,520	$ 645	$ 438	$ 750	$ 1,200		$ 46	$ 763	$ 9,362
2004	*4,050*	5,687	683	416	949	824		30	859	9,447
2005	*3,941*	6,586	742	433	809	913	391	177	965	11,016
2006	*4,036*	6,526	844	441	743	1,010	41	224	650	10,479
2007	*4,158*	7,002	891	478	670	966	93	332	1,185	11,617
2008	*4,265*	7,193	989	488	633	983	231	1	1,093	11,612
2009	*4,245*	7,537	1,018	505	620	1,131	-	-	1,109	11,920
2010	*4,287*	7,217	1,033	525	703	1,127	-	-	1,049	11,655
2011	*4,384*	7,305	975	541	668	1,190	-	1	1,310	11,990

Information available only since FY 2003, the year GASB 34 was implemented.

Source: District records.



Government-wide Expenses, FY 2011

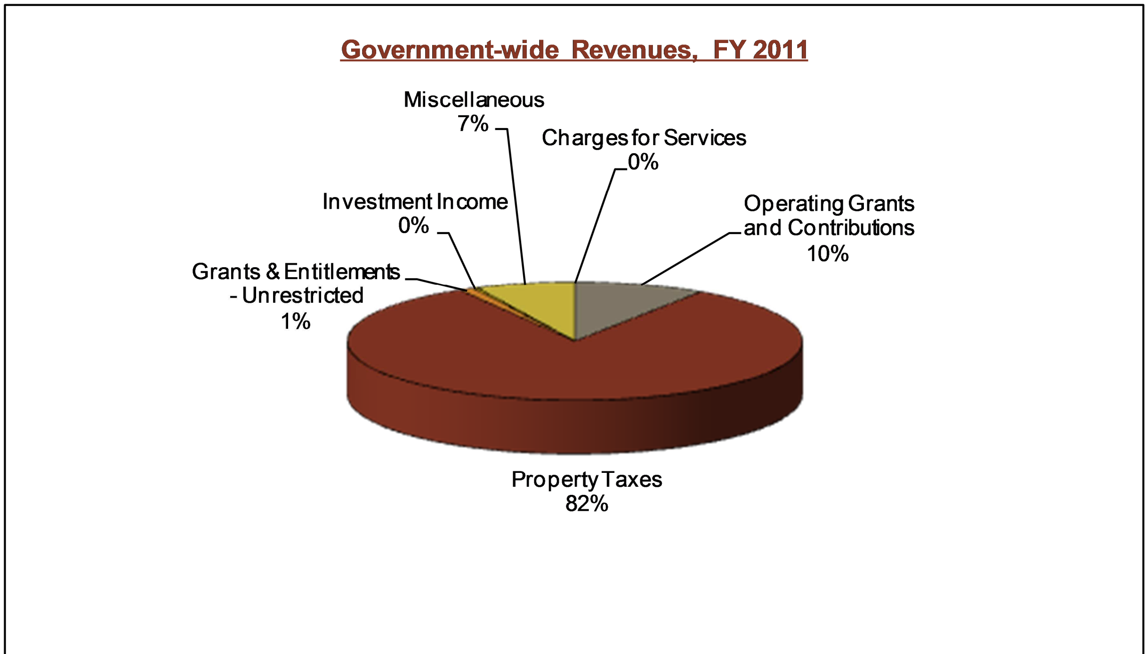
Government-wide Revenues

	Program Revenues		General Revenues				
Fiscal Year	Charges for Services	Operating Grants and Contributions	Property Taxes	Grants & Entitlements - Unrestricted	Investment Income	Miscellaneous [1]	Total
2003	$ 462,697	$ 14,439,918	$ 25,167,472	$ 1,961,826	$ 971,060	$ 227,600	$ 43,230,573
2004	$ 352,713	$ 11,470,125	$ 29,986,336	$ 2,163,441	$ 591,287	$ 406,585	$ 44,970,487
2005	$ 1,675	$ 4,645,749	$ 31,625,124	$ 2,586,363	$ 415,252	$ 2,197,990	$ 41,472,153
2006	$ 1,132	$ 4,553,367	$ 33,358,076	$ 2,865,431	$ 437,524	$ 2,584,531	$ 43,800,061
2007	$ 21,894	$ 6,091,317	$ 36,884,366	$ 3,423,867	$ 1,036,178	$ 2,709,884	$ 50,167,506
2008	$ 8,106	$ 5,624,637	$ 38,063,765	$ 2,973,588	$ 726,272	$ 2,256,370	$ 49,652,738
2009	$ 1,587	$ 5,414,423	$ 40,226,775	$ 2,785,203	$ 429,949	$ 3,358,359	$ 52,216,296
2010	$ 531	$ 4,970,086	$ 43,121,882	$ 1,739,376	$ 165,935	$ 3,068,489	$ 53,066,299
2011	$ 565	$ 4,946,391	$ 43,424,004	$ 560,790	$ 160,518	$ 3,747,765	$ 52,840,033

[1] *FY2008 "Miscellaneous" includes a $257,013 special item (loss on disposals).*

Information available only since FY 2003, the year GASB 34 was implemented.

Source: District records.



General District Revenues by Source

Fiscal Year	Revenue Limit Sources	Federal	Other State	Other Local	Other Financing Sources	Operating Transfers In	Total Revenues
2002	$ 17,757,295	$ 549,983	$ 4,355,268	$ 8,450,788	$ 1,154,000	$ 134,214	$ 32,401,548
2003	$ 18,320,988	$ 565,591	$ 3,634,402	$ 6,871,721	$ -	$ 153,175	$ 29,545,877
2004	$ 18,142,164	$ 736,569	$ 3,198,949	$ 10,802,453	$ -	$ -	$ 32,880,135
2005	$ 19,503,372	$ 952,473	$ 3,596,225	$ 11,189,600	$ -	$ 309,486	$ 35,551,156
2006	$ 21,438,243	$ 1,050,397	$ 3,739,955	$ 11,492,356	$ -	$ -	$ 37,720,951
2007	$ 23,372,515	$ 958,670	$ 5,380,143	$ 12,478,951	$ -	$ -	$ 42,190,279
2008	$ 23,666,077	$ 883,387	$ 4,695,789	$ 12,233,364	$ -	$ 157,166	$ 41,635,783
2009	$ 25,299,763	$ 1,075,398	$ 4,406,477	$ 12,915,695	$ -	$ -	$ 43,697,333
2010	$ 26,275,514	$ 1,932,612	$ 2,567,382	$ 12,607,715	$ -	$ 275,848	$ 43,659,071
2011	$ 25,458,478	$ 1,783,741	$ 2,115,088	$ 13,746,462	$ -	$ 1,364,462	$ 44,468,231

Funds included are General Fund and Special Revenue Funds.

Source: District records.

General District Expenditures & Other Uses by Object

Fiscal Year	Certificated Salaries	Classified Salaries	Employee Benefits	Books & Supplies	Services & Other Oper. Exp.	Capital Outlay	Other Outgo	Operating Transfers Out	Total Expenditures & Other Uses
2002	16,291,203	4,780,413	5,865,099	999,142	2,701,682	345,649	2,917	1,158,993	32,145,098
2003	15,930,727	4,290,048	6,057,361	685,720	3,029,870	293,493	-	-	30,287,219
2004	16,606,201	4,547,804	6,672,045	807,455	3,653,390	490,245	2,828	-	32,779,968
2005	17,443,985	5,005,355	6,646,670	1,212,061	4,380,617	368,199	698,512	-	35,755,399
2006	17,715,512	5,214,671	7,009,680	977,407	4,415,864	1,266,274	903,634	-	37,503,042
2007	19,385,955	5,773,231	7,557,002	1,374,281	4,372,642	1,045,469	1,375,512	-	40,884,092
2008	20,468,766	6,261,356	8,206,581	1,963,449	4,255,628	255,744	5,381	157,166	41,574,071
2009	20,706,572	6,360,244	8,650,400	1,508,458	4,263,747	288,858	-	-	42,047,100
2010	20,146,577	6,247,351	8,442,562	1,818,732	4,745,088	229,941	-	275,848	42,238,902
2011	19,854,449	6,678,388	9,302,308	1,626,460	4,859,402	282,527	3,340	1,364,462	44,304,139

Funds included are General Fund and Special Revenue Funds.

Source: District records.

General District Expenditures by Function

Fiscal Year	Instruction	Instruction-related services	Pupil services	General administration	Plant services	Other Educ. Programs	Total
2002	$ 21,083,823	$ 2,470,858	$ 1,503,212	$ 3,008,966	$ 2,340,012	$1,738,227	$ 32,145,098
2003	20,803,929	2,437,517	1,655,374	2,836,301	2,381,877	172,221	30,287,219
2004	22,131,588	2,640,536	1,608,777	3,664,703	2,618,535	115,829	32,779,968
2005	24,563,627	2,765,039	1,611,174	3,013,737	2,899,586	902,236	35,755,399
2006	24,718,586	3,199,480	1,671,873	2,814,986	3,914,092	1,184,026	37,503,043
2007	27,384,127	3,564,017	1,884,886	2,621,146	3,716,310	1,713,606	40,884,092
2008	28,808,870	3,841,939	2,080,922	2,640,392	3,950,581	251,367	41,574,071
2009	28,789,890	3,917,608	2,143,165	2,571,419	4,103,506	521,512	42,047,100
2010	28,001,455	4,018,356	2,246,602	2,957,361	4,227,636	511,642	41,963,052
2011	28,816,638	3,863,397	2,368,534	2,869,932	4,525,211	495,965	42,939,677

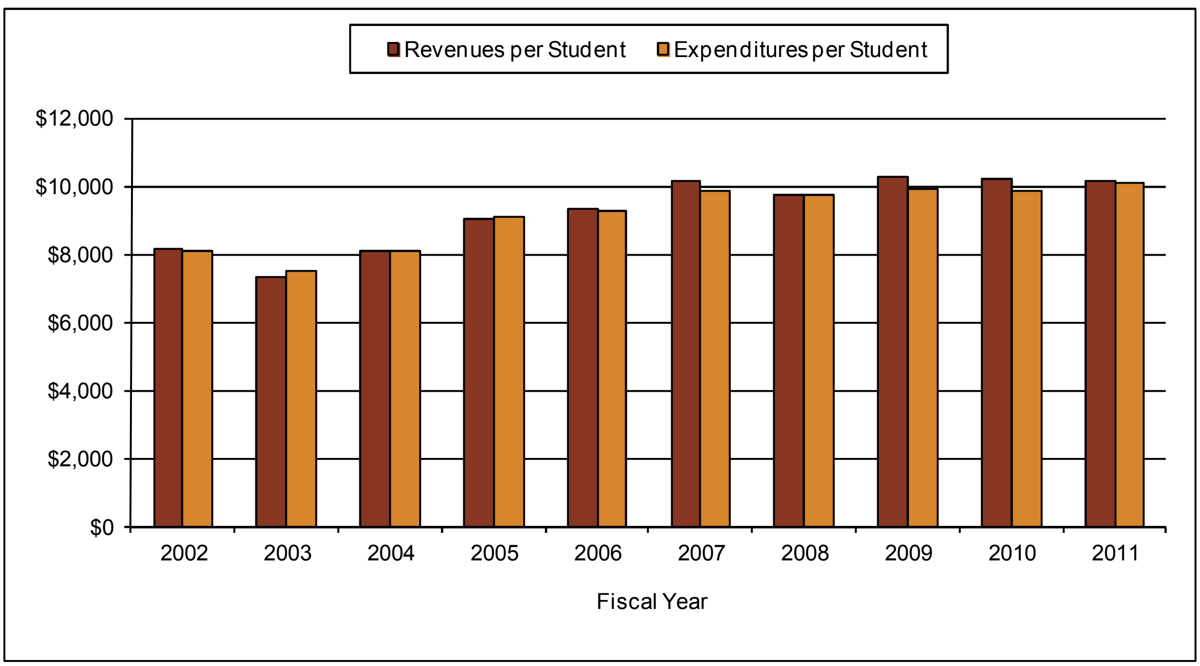
Source: District records.

General District Revenues and Expenditures, per Student

Fiscal Year	Total Revenues	Total Expenditures	*Enrollment*	Revenues per Student	Expenditures per Student
2002	32,401,548	32,145,098	*3,969*	8,164	8,099
2003	29,545,877	30,287,219	*4,032*	7,328	7,512
2004	32,880,135	32,779,968	*4,050*	8,119	8,094
2005	35,551,156	35,755,399	*3,941*	9,021	9,073
2006	37,720,951	37,503,042	*4,036*	9,346	9,292
2007	42,190,279	40,884,092	*4,158*	10,147	9,833
2008	41,635,783	41,574,071	*4,265*	9,762	9,748
2009	43,697,333	42,047,100	*4,245*	10,294	9,905
2010	43,659,071	42,238,902	*4,287*	10,184	9,853
2011	44,468,231	44,304,139	*4,384*	10,143	10,106

Funds included are General Fund and Special Revenue Funds. Expenditures include Operating Transfers Out.

Source: District records.



Fund Balances, Governmental Funds

Fiscal Year	General Fund							
	Reserved	Unreserved	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
2002	2,270,819	465,350	-	-	-	-	-	2,736,169
2003	918,378	812,191	-	-	-	-	-	1,730,569
2004	629,225	1,228,766	-	-	-	-	-	1,857,991
2005	460,594	797,164	-	-	-	-	-	1,257,758
2006	1,011,919	1,193,153	-	-	-	-	-	2,205,072
2007	767,057	2,858,786	-	-	-	-	-	3,625,843
2008	561,001	3,025,841	-	-	-	-	-	3,586,842
2009	2,471,979	2,768,009	-	-	-	-	-	5,239,988
2010	2,108,555	4,645,743	-	-	-	-	-	6,754,298
2011	-	-	5,274	151,485	-	1,797,472	5,435,873	7,390,104

Fiscal Year	All Other Governmental Funds							
	Reserved	Unreserved	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
2002	2,469,677	48,670,050	-	-	-	-	-	51,139,727
2003	2,429,583	26,568,678	-	-	-	-	-	28,998,261
2004	3,138,824	15,806,860	-	-	-	-	-	18,945,684
2005	3,490,656	2,790,593	-	-	-	-	-	6,281,249
2006	3,796,839	11,985,546	-	-	-	-	-	15,782,385
2007	4,972,903	10,842,006	-	-	-	-	-	15,814,909
2008	5,500,738	2,233,497	-	-	-	-	-	7,734,235
2009	5,972,360	820,068	-	-	-	-	-	6,792,428
2010	6,274,946	1,470,041	-	-	-	-	-	7,744,987
2011	-	-	-	6,932,467	-	714,631	242,494	7,889,592

Fiscal Year	Total, All Governmental Funds							
	Reserved	Unreserved	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
2002	4,740,496	49,135,400	-	-	-	-	-	53,875,896
2003	3,347,961	27,380,869	-	-	-	-	-	30,728,830
2004	3,768,049	17,035,626	-	-	-	-	-	20,803,675
2005	3,951,250	3,587,757	-	-	-	-	-	7,539,007
2006	4,808,758	13,178,699	-	-	-	-	-	17,987,457
2007	5,739,960	13,700,792	-	-	-	-	-	19,440,752
2008	6,061,739	5,259,338	-	-	-	-	-	11,321,077
2009	8,444,339	3,588,077	-	-	-	-	-	12,032,416
2010	8,383,501	6,115,784	-	-	-	-	-	14,499,285
2011	-	-	5,274	7,083,952	-	2,512,103	5,678,367	15,279,696

Note: GASB 54 requirements for fund balance reporting changed as of fiscal year 2011.

Source: District records.

Changes in Fund Balances, Governmental Funds

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues:									
Revenue limit sources	$ 18,320,988	$ 18,142,164	$ 19,503,373	$ 21,438,243	$ 23,372,515	$ 23,666,075	$ 25,299,763	$ 26,275,514	$ 25,458,478
Federal	565,591	736,569	952,473	1,050,397	958,670	883,388	1,075,398	1,932,612	1,783,741
Other state	8,902,823	9,094,101	3,655,258	3,773,195	5,420,658	4,735,937	4,445,265	3,503,288	2,626,630
Other local	12,280,770	16,318,216	17,361,049	17,538,227	20,415,664	20,624,353	21,448,447	21,407,462	23,023,763
Total revenues	40,070,172	44,291,050	41,472,153	43,800,062	50,167,507	49,909,753	52,268,873	53,118,876	52,892,612
Expenditures:									
Instruction	20,803,929	22,131,588	24,563,627	24,718,586	27,384,127	28,808,869	28,715,203	28,001,455	28,816,637
Instruction-related services:									
Supervision of instruction	320,516	357,122	395,779	839,872	953,289	1,070,529	1,074,403	1,262,974	1,157,483
Instruction library, media and technology	438,108	427,378	384,983	334,903	350,373	395,508	399,804	311,464	326,008
School site administration	1,678,893	1,856,036	1,984,278	2,024,705	2,260,355	2,375,903	2,443,401	2,443,918	2,379,907
Pupil services:									
Home-to-school transportation	476,114	293,611	248,740	220,327	249,668	261,635	323,729	273,193	256,647
Food services	28,342	40,233	32,869	42,233	50,072	58,972	87,929	98,674	110,721
All other pupil services	1,150,918	1,274,934	1,329,564	1,409,314	1,585,146	1,760,315	1,731,507	1,874,735	2,001,166
General administration:									
Data processing	143,927	303,069	220,683	246,180	341,267	408,606	363,357	361,469	489,844
All other general administration	2,692,374	3,361,634	2,793,054	2,568,806	2,279,880	2,231,786	2,208,063	2,595,892	2,380,088
Plant services	2,761,930	3,187,308	3,401,119	3,824,936	4,159,924	4,145,444	4,680,449	4,705,061	5,086,314
Facilities acquisition and construction	32,001,701	24,799,288	13,711,859	1,910,338	1,697,065	11,620,610	3,742,556	576,096	541,464
Other educational programs	172,221	115,829	698,512	903,634	1,382,410	5,380	-	-	3,340
Debt service:									
Principal	425,000	522,786	1,069,228	1,326,212	2,902,244	2,475,000	3,126,136	3,677,690	4,299,336
Interest, fees and issuance costs	3,285,163	3,425,610	3,902,526	5,143,170	3,118,392	4,575,870	4,685,998	4,469,387	4,263,245
Total expenditures	66,379,136	62,096,426	54,736,821	45,513,216	48,714,212	60,194,427	53,582,535	50,652,008	52,112,200
Excess (deficiency) of revenues over (under) expenditures	(26,308,964)	(17,805,376)	(13,264,668)	(1,713,154)	1,453,295	(10,284,674)	(1,313,662)	2,466,868	780,412
Other financing sources (uses):									
Issuance of long-term debt	-	8,000,000	-	101,069,000	-	-	-	-	-
Defeasance of long-term debt	-	-	-	(99,931,490)	-	-	-	-	-
Bond premium	-	-	-	11,024,091	-	-	-	-	-
Proceeds from lease-leaseback transaction	-	-	-	-	-	2,165,000	2,025,000	-	-
All other financing sources (uses)	3,160,401	(119,776)	-	-	-	-	-	-	-
Total other financing sources (uses)	3,160,401	7,880,224	-	12,161,601	-	2,165,000	2,025,000	-	-
Net changes in fund balances	(23,148,563)	(9,925,152)	(13,264,668)	10,448,447	1,453,295	(8,119,674)	711,338	2,466,868	780,412
Fund balances beginning	53,877,393	30,728,830	20,803,678	7,539,010	17,987,457	19,440,752	11,321,078	12,032,416	14,499,284
Fund balances ending	$ 30,728,830	$ 20,803,678	$ 7,539,010	$ 17,987,457	$ 19,440,752	$ 11,321,078	$ 12,032,416	$ 14,499,284	$ 15,279,696
Debt service as a % of non-capital expenditures	10.3%	10.6%	11.7%	14.8%	12.8%	14.2%	15.4%	16.1%	16.5%

Information available only since FY 2003, the year GASB 34 was implemented.

Source: Data extracted from District Financial Statements.

Revenue Base: Assessed Valuation (AV) and Property Tax Collections
(Dollars in Millions)

Fiscal Year	*Residential Property*	*Commercial Property*	*Total Gross Secured* (1)	*Less Exemptions*	*Total Net Secured*	*Utilities*	*Unsecured*	*Total Net (Taxable) AV*	*Weighted Average Tax Rate per $100 AV*	*Total Property Tax Collections*
2002			$7,938.50	$254.82	$7,683.68	$0.66	$135.64	$7,819.97	0.2057	$16.08
2003			$8,301.55	$322.02	$7,979.54	$0.61	$168.99	$8,149.15	0.2167	$17.66
2004			$9,036.12	$311.71	$8,724.41	$0.09	$145.65	$8,870.15	0.2094	$18.58
2005			$9,686.68	$187.17	$9,499.51	$0.11	$140.30	$9,639.92	0.1968	$18.97
2006			$10,660.79	$157.94	$10,502.85	$0.10	$133.11	$10,636.06	0.1910	$20.31
2007	$10,645.64	$957.10	$11,602.74	$176.10	$11,426.64	$0.09	$124.18	$11,550.91	0.1932	$22.32
2008	$11,467.97	$1,016.27	$12,484.24	$183.37	$12,300.87	$0.00	$122.86	$12,423.73	0.1964	$24.40
2009	$12,340.22	$1,133.62	$13,473.84	$190.21	$13,283.63	$0.00	$153.26	$13,436.89	0.1959	$26.32
2010	$12,851.07	$1,163.18	$14,014.25	$222.37	$13,791.88	$0.00	$162.75	$13,954.63	0.1926	$26.88
2011	$12,730.15	$1,134.01	$13,864.16	$199.77	$13,664.39	$0.00	$151.53	$13,815.92	0.1907	$26.34

(1) Breakdown of Secured Property by type of property not available prior to FY2007.

Per California law all properties are taxed at 1% of AV.
A portion of these tax proceeds goes to schools; that proportion differs from one tax rate area to another.
There are 40 different tax rate areas within Los Altos School District.

Note: Under the Teeter Plan (an alternate method of apportioning tax revenues to school districts), Santa Clara County distributes 100% of the general purpose taxes levied to its districts each year.

Source: Santa Clara County Controller; Santa Clara County Assessor

Revenue Base: Property Tax Rates, All Direct and Overlapping Governments

	2001/02	2002/03	2003/04	2004/05	2005/06
County-wide Rate [(a)]	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
County Retirement Levy	0.0364%	0.0388%	0.0388%	0.0388%	0.0388%
County Library Retirement	0.0024%	0.0024%	0.0024%	0.0024%	0.0024%
County Hospital Bonds	n/a	n/a	n/a	n/a	n/a
Los Altos Elementary 1998	0.0437%	0.0398%	0.0483%	0.0487%	0.0452%
El Camino Hospital District	n/a	n/a	n/a	n/a	n/a
Foothill-De Anza Coll. 1999	0.0115%	0.0108%	0.0110%	0.0129%	0.0119%
MV-Los Altos High Bond No. 1	0.0175%	0.0188%	0.0183%	0.0193%	0.0179%
SCVWD-State Water Project	0.0053%	0.0063%	0.0075%	0.0086%	0.0069%
SCVWD-Zone W-1 Bond	0.0009%	0.0009%	0.0012%	0.0006%	0.0009%
TOTAL	**1.1177%**	**1.1178%**	**1.1275%**	**1.1313%**	**1.1240%**

	2006/07	2007/08	2008/09	2009/10	2010/11
County-wide Rate [(a)]	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
County Retirement Levy	0.0388%	0.0388%	0.0388%	0.0388%	0.0388%
County Library Retirement	0.0024%	0.0024%	0.0240%	0.0024%	0.0024%
County Hospital Bonds	n/a	n/a	n/a	n/a	0.0095%
Los Altos Elementary 1998	0.0551%	0.0543%	0.0526%	0.0539%	0.0600%
El Camino Hospital District	0.0129%	0.0129%	0.0129%	0.0129%	0.0129%
Foothill-De Anza Coll. 1999	0.0110%	0.0113%	0.0123%	0.0322%	0.0326%
MV-Los Altos High Bond No. 1	0.0169%	0.0159%	0.0148%	0.0147%	0.0151%
SCVWD-State Water Project	0.0070%	0.0067%	0.0059%	0.0071%	0.0070%
SCVWD-Zone W-1 Bond	0.0020%	0.0004%	0.0002%	0.0003%	0.0002%
TOTAL	**1.1461%**	**1.1427%**	**1.1399%**	**1.1623%**	**1.1785%**

(a) Maximum rate for purposes other than paying debt service in accordance with Article XIIIA of the State Constitution.

Source: County of Santa Clara Auditor-Controller's Office (Typical Tax Rate per $100 Assessed Valuation TRA 11-001).

Data Extracted From Above

The Los Altos School District's share of the county-wide general purpose 1% secured tax rate is based on historical formulas and can vary slightly from year to year. Tax rates for the ten year period directly applicable to Los Altos School District include its share of the general purpose tax rate and the special purpose bond rate (used to retire debt on the "Los Altos Elementary 1998" general obligation bonds).

	2001/02	2002/03	2003/04	2004/05	2005/06
Los Altos School District, General Purpose	0.1992%	0.2085%	0.2023%	0.1930%	0.1882%
Los Altos School District, 1998 Bonds	0.0437%	0.0398%	0.0483%	0.0487%	0.0452%
Total	0.2429%	0.2483%	0.2506%	0.2417%	0.2334%

	2006/07	2007/08	2008/09	2009/10	2010/11
Los Altos School District, General Purpose	0.1903%	0.1936%	0.1931%	0.1896%	0.1879%
Los Altos School District, 1998 Bonds	0.0551%	0.0543%	0.0526%	0.0539%	0.0600%
Total	0.2454%	0.2479%	0.2457%	0.2435%	0.2479%

Principal Local Secured Taxpayers

2010-11 compared to nine years earlier

	Property Owner	Primary Land Use	2011-12 A.V.	% of Total (1)	2002/2003 A.V.	Rank	% of Total (1)
1	Avalonbay Communities, Inc.	Apartments	$ 56,330,127	0.39%	25,396,249	5	0.31%
2	2440 El Camino LP	Office Building	48,820,175	0.34%			
3	Behringer Harvard El Camino Real LP	Office Building	40,522,807	0.28%			
4	San Antonio Center LLC	Shopping Center	35,888,964	0.25%	31,109,361	3	0.37%
5	Los Altos Gardens I & II LP	Apartments	26,444,234	0.18%			
6	Douglas M. Leone	Residential	25,000,000	0.17%			
7	Compass Grand Los Altos LLC	Shopping Center	21,411,487	0.15%			
8	Pacific Retail Master LP	Shopping Center	21,233,621	0.15%	20,290,287	7	0.24%
9	KRC Los Altos LP	Residential Care Facility	20,720,000	0.14%	17,502,735	8	0.21%
10	West Fremont Office Corp.	Office Building	19,500,000	0.14%			
11	SI 29 LLC	Office Building	19,087,836	0.13%			
12	4 Seasons Associates LLC	Hotel	19,061,754	0.13%			
13	Palo Alto Medical Foundation	Office Building	18,092,557	0.13%			
14	Diane M. Santos	Shopping Center	17,553,493	0.12%			
15	Los Altos Hotel Associates LLC	Hotel	16,990,461	0.12%			
16	Palo Alto Bowl LLC	Planned Hotel/Residential	15,529,379	0.11%			
17	Book LLC	Undeveloped	15,477,097	0.11%			
18	Village Court Partners	Commercial	15,314,674	0.11%	13,278,303	12	0.16%
19	Avery Palo Alto Plaza LP	Apartments	13,603,102	0.09%			
20	Mark and Karen S. Jung	Residential	13,287,481	0.09%			
	Sobrato Interest III/John A. and Susan R. Sobrato	Office Building			55,564,516	1	0.67%
	Los Altos Office Associates, LLC	Office Building			38,164,232	2	0.46%
	David and Lucille Packard Foundation (2)	Office Building			29,435,675	4	0.35%
	Nearly-Vidovich	Shopping Center			20,442,962	6	0.25%
	99 Investors LLC	Shopping Center			17,409,106	9	0.21%
	Sunnyvale Partners	Office Building			17,322,053	10	0.21%
	Marie A. Addiego	Shopping Center			15,223,075	11	0.18%
	Los Altos Golf and Country Club	Golf & Country Club			13,249,944	13	0.16%
	J.D. Molex One LLC	Office Building			12,160,581	14	0.15%
	Central Park Partnership	Apartments			11,797,133	15	0.14%
	James A. and Lisa A. Dorrian	Apartments			11,224,280	16	0.14%
	Wilfred J. Corrigan	Residential			11,167,373	17	0.13%
	Forest Casa Real LLC	Apartments			10,977,996	18	0.13%
	Los Altos Woods LLC	Office Building			10,820,160	19	0.13%
	Schneider Properties LP	Apartments			10,553,000	20	0.13%
			$479,869,249	**3.35%**	**$ 393,089,021**		**4.74%**

(1) 2011-12 Local Secured Assessed Valuation: $14,329,396,773

(1) 2002-03 Local Secured AV: $8,301,554,855

(2) Taxable property only.

Source: California Municipal Statistics, Inc.

Property Tax Levies and Collections

General Purpose Levy

Fiscal Year	Taxes Levied (a)	Amount Collected as of June 30	% Collected as of June 30	Amount Collected in Subsequent Years	Total Amount Collected	Total Collected as % of Total Levy
2002	16,082,698	16,082,698	100.00%	-	16,082,698	100.00%
2003	17,658,152	17,658,152	100.00%	-	17,658,152	100.00%
2004	18,575,453	18,575,453	100.00%	-	18,575,453	100.00%
2005	18,968,055	18,968,055	100.00%	-	18,968,055	100.00%
2006	20,310,657	20,310,657	100.00%	-	20,310,657	100.00%
2007	22,317,307	22,317,307	100.00%	-	22,317,307	100.00%
2008	24,404,229	24,404,229	100.00%	-	24,404,229	100.00%
2009	26,318,414	26,318,414	100.00%	-	26,318,414	100.00%
2010	26,875,522	26,875,522	100.00%	-	26,875,522	100.00%
2011	26,340,708	26,340,708	100.00%	-	26,340,708	100.00%

(a) Under the Teeter Plan (an alternate method of apportioning tax revenues to school districts), Santa Clara County distributes 100% of the general purpose taxes levied to its districts each year.

Debt Service Levy

Fiscal Year	Taxes Levied	Amount Collected as of June 30	% Collected as of June 30	Amount Collected in Subsequent Years (1)	Total Amount Collected	Total Collected as % of Total Levy
2002	3,434,825	3,404,269	99.11%	-	3,404,269	99.11%
2003	3,279,621	3,249,698	99.09%	-	3,249,698	99.09%
2004	4,267,883	4,230,547	99.13%	-	4,230,547	99.13%
2005	4,831,184	4,790,195	99.15%	-	4,790,195	99.15%
2006	4,741,020	4,697,424	99.08%	-	4,697,424	99.08%
2007	6,338,457	6,286,654	99.18%	-	6,286,654	99.18%
2008	6,727,926	6,673,482	99.19%	-	6,673,482	99.19%
2009	7,003,562	6,903,830	98.58%	-	6,903,830	98.58%
2010	7,450,153	7,357,174	98.75%	-	7,357,174	98.75%
2011	8,254,953	8,179,868	99.09%	-	8,179,868	99.09%

Total, All Levies

Fiscal Year	Taxes Levied	Amount Collected as of June 30	% Collected as of June 30	Amount Collected in Subsequent Years	Total Amount Collected	Total Collected as % of Total Levy
2002	19,517,523	19,486,967	99.84%	-	19,486,967	99.84%
2003	20,937,773	20,907,850	99.86%	-	20,907,850	99.86%
2004	22,843,336	22,806,000	99.84%	-	22,806,000	99.84%
2005	23,799,239	23,758,250	99.83%	-	23,758,250	99.83%
2006	25,051,677	25,008,081	99.83%	-	25,008,081	99.83%
2007	28,655,764	28,603,960	99.82%	-	28,603,960	99.82%
2008	31,132,155	31,077,711	99.83%	-	31,077,711	99.83%
2009	33,321,976	33,222,244	99.70%	-	33,222,244	99.70%
2010	34,325,675	34,232,696	99.73%	-	34,232,696	99.73%
2011	34,595,661	34,520,576	99.78%	-	34,520,576	99.78%

(1) The County's current property tax system is unable to track collections by respective year of levy. Thus information on collections of delinquent taxes in subsequent years is not available.

Source: Santa Clara County records and California Municipal Statistics, Inc.

Computation of Legal Debt Margin

Fiscal Year	Assessed Valuation [1]	Statutory Bonding Capacity [2]	Outstanding Debt	Additional Bonding Capacity (Debt Margin)	Ratio of Debt Margin to Debt Limit
2002	8,074,794,276	100,934,928	85,009,049	15,925,879	15.8%
2003	8,471,162,769	105,889,535	84,584,049	21,305,486	20.1%
2004	9,181,857,704	114,773,221	92,061,263	22,711,958	19.8%
2005	9,827,090,970	122,838,637	90,992,035	31,846,602	25.9%
2006	10,794,004,114	134,925,051	102,721,243	32,203,808	23.9%
2007	11,727,024,593	146,587,807	99,819,000	46,768,807	31.9%
2008	12,607,097,537	157,588,719	97,344,000	60,244,719	38.2%
2009	13,627,085,860	170,338,573	94,359,000	75,979,573	44.6%
2010	14,176,996,881	177,212,461	90,819,000	86,393,461	48.8%
2011	14,015,681,413	175,196,018	86,664,000	88,532,018	50.5%

[1] *California Municipal Statistics, Inc. and Santa Clara County.*

[2] *Statutory Bonding Capacity is equal to 1.25% of the District's total assessed valuation.*

Ratio of Total Debt to AV / Capita

Year	Net General Bonded Debt [1]	Site Lease Purchase Obligations [1]	Capital Leases [1]	Total Debt [1]	Assessed Value	Debt / A.V.	Estimated Population [2]	LA +LA Hills Population [3]	Debt/Capita
2002	$ 85,009,049	$ -	$ -	$ 85,009,049	$ 8,074,794,276	1.053%	38,776	35,903	$ 2,192
2003	$ 84,584,049	$ -	$ -	$ 84,584,049	$ 8,471,162,769	0.998%	38,932	35,983	$ 2,173
2004	$ 92,061,263	$ -	$ -	$ 92,061,263	$ 9,181,857,704	1.003%	39,252	36,006	$ 2,345
2005	$ 90,992,035	$ -	$ -	$ 90,992,035	$ 9,827,090,970	0.926%	39,393	35,933	$ 2,310
2006	$ 102,721,243	$ -	$ -	$ 102,721,243	$ 10,794,004,114	0.952%	39,997	36,059	$ 2,568
2007	$ 99,819,000	$ -	$ 146,508	$ 99,965,508	$ 11,727,024,593	0.852%	40,406	36,497	$ 2,474
2008	$ 97,344,000	$ 2,165,000	$ 74,687	$ 99,583,687	$ 12,607,089,540	0.790%	40,764	36,964	$ 2,443
2009	$ 94,359,000	$ 4,123,551	$ -	$ 98,482,551	$ 13,627,085,860	0.723%	*41,186*	37,347	$ 2,391
2010	$ 90,819,000	$ 3,985,861	$ -	$ 94,804,861	$ 14,176,996,881	0.669%	*41,802*	37,905	$ 2,268
2011	$ 86,664,000	$ 3,841,525	$ -	$ 90,505,525	$ 14,015,681,413	0.646%	*41,500*	37,631	$ 2,181

[1] *As of June 30th*

[2] *Estimated population from the U.S. Census Bureau, http://www.census.gov/did/www/saipe/index.html*
Data for 2009 and 2010 were estimated based off of the population growth in Los Altos and Los Altos Hills.

[3] *Population of Los Altos and Los Altos Hills is as of January 1st of the year indicated except for the census year where population is taken in April.*
(http://www.dof.ca.gov/research/demographic/reports/estimates/e-1/view.php)
There were slight discrepancies in the data provided by the State of California, Department of Finance for the census year.

Direct and Overlapping Debt

2011-12 Assessed Valuation: $14,465,689,790

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/2011	% Applicable	Est. District Share Debt 6/30/11
Santa Clara County	$334,900,000	5.39%	$18,051,110
Santa Clara Valley Water District, Zone W-1	$404,993	5.668	22,955
Foothill-De Anza Community College District	$650,224,286	15.186	98,743,060
Mountain View-Los Altos Union High School District	$50,486,384	55.023	27,779,123
City of Palo Alto	$55,305,075	0.67	370,544
City of Los Altos 1915 Act Bonds (Estimate)	$1,070,803	80.271	859,544
City of Los Altos Hills Assessment District No. 1	$3,095,000	100	3,095,000
El Camino Hospital District	$143,804,999	28.986	41,683,317
Santa Clara Valley Water District Benefit Assessment District	$143,160,000	5.39	7,716,324
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	$1,382,451,539		$198,320,977
OVERLAPPING GENERAL FUND DEBT:			
Santa Clara County General Fund Obligations	$786,980,000	5.39%	$42,418,222
Santa Clara County Pension Obligations	386,024,824	5.39	20,806,738
Santa Clara County Board of Education Certificates of Participation	12,580,000	5.39	678,062
Foothill-DeAnza Community College District Certificates of Participation	21,215,001	15.186	3,221,710
Mountain View-Los Altos Union High School District Certificates of Participation	6,114,999	55.023	3,364,656
City of Los Altos Certificates of Participation	1,945,000	80.271	1,561,271
City of Mountain View Certificates of Participation	15,685,001	14.414	2,260,836
Other City General Fund Obligations		Various	64,323
North County Library Authority	330,000	74.19	244,827
Midpeninsula Regional Park District and General Fund Obligations	131,003,030	8.945	11,718,221
Santa Clara Valley Vector Control District Certificates of Participation	3,800,000	5.39	204,820
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT	$1,365,677,854		$86,543,686
Less: City of Mountain View Certificates of Participation (100% supported from tax increment revenues)			$1,610,765
TOTAL NET OVERLAPPING GENERAL FUND DEBT			$84,932,921
GROSS COMBINED TOTAL OVERLAPPING DEBT			$284,864,663 (1)
NET COMBINED TOTAL OVERLAPPING DEBT			$283,253,898

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

District Direct Debt	**$86,664,000**	**100%**	**$86,664,000**
Total, Direct and Overlapping Debt (gross)			$371,528,663
Total, Direct and Overlapping Debt (net)			$369,917,898

Ratios to 2011-12 Assessed Valuation:	
Direct Debt ($86,664,000)	**0.60%**
Total Overlapping Tax and Assessment Debt	1.37%
Total Overlapping General Fund Debt (gross)	0.60%
Total Overlapping General Fund Debt (net)	0.59%
Gross Combined Total Debt	2.57%
Net Combined Total Debt	2.56%

The percentage of overlapping debt applicable is provided by California Municipal Statistics, Inc.

Source: California Municipal Statistics, Inc.

Ratio of Annual Debt Service Expenditures to General Expenditures

Fiscal Year	Annual Debt Service	Total General Expenditures [1]	Debt / Expenditures
2002	4,223,201	30,896,346	13.67%
2003	3,708,658	30,216,772	12.27%
2004	3,946,891	32,684,951	12.08%
2005	4,765,645	35,660,525	13.36%
2006	4,968,783	36,731,567	13.53%
2007	5,689,437	40,567,312	14.02%
2008	6,813,450	41,169,978	16.55%
2009	7,214,250	41,885,604	17.22%
2010	7,633,750	41,771,005	18.28%
2011	8,069,075	42,743,485	18.88%

[1] *General Fund expenditures only.*

Annual debt service is bond debt service due in the upcoming fiscal year as of June 30 of the prior year and excludes bonds issued during the fiscal year whether new money or refunding.

Source: District records, Annual Budget Documents

Enrollment & Attendance History

Fiscal Year	Average Daily Attendance (ADA) (2nd Period)	Enrollment (October)	Ratio, ADA to Enrollment	Enrollment Growth: %
2002	3,889	3,969	0.98	0.9%
2003	3,943	4,032	0.98	1.6%
2004	3,957	4,050	0.98	0.4%
2005	3,863	3,941	0.98	-2.7%
2006	3,945	4,036	0.98	2.4%
2007	4,070	4,158	0.98	3.0%
2008	4,158	4,265	0.97	2.6%
2009	4,156	4,245	0.98	-0.5%
2010	4,197	4,287	0.98	1.0%
2011	4,301	4,384	0.98	2.3%

FY2005 enrollment declined due to transfer of students into charter school.

Source: District records.

Student-Teacher Ratios

Fiscal Year	Student Enrollment	No. of Teachers [1]	Student-Teacher Ratio
2002	3,969	208	19.08
2003	4,032	208	19.38
2004	4,050	213	19.01
2005	3,941	214	18.42
2006	4,036	216	18.69
2007	4,158	223	18.65
2008	4,265	229	18.62
2009	4,245	231	18.38
2010	4,287	223	19.22
2011	4,384	225	19.48

[1] Classrooom teachers only (full-time equivalents).

Source: District records.

New Construction for Los Altos and Los Altos Hills

	Los Altos Number of New Units			Los Altos Hills Number of New Units		
Year	Single Unit	Multi-Units	Total	Single Unit	Multi-Units	Total
2001	52	0	52	42	0	42
2002	59	0	59	23	0	23
2003	36	0	36	34	0	34
2004	59	0	59	19	0	19
2005	64	0	64	26	0	26
2006	64	0	64	19	0	19
2007	41	6	47	22	0	22
2008	36	2	38	23	0	23
2009	29	0	0	16	1	17
2010	80	1	81	18	0	18

	Los Altos Valuations (in thousands)			Los Altos Hills Valuations (in thousands)		
Year	Single Unit	Multi-Units	Total	Single Unit	Multi-Units	Total
2001	27,804	0	27,804	24,049	0	24,049
2002	26,270	0	26,270	10,528	0	10,528
2003	23,670	0	23,670	15,439	0	15,439
2004	33,823	0	33,823	9,237	0	9,237
2005	50,896	0	50,896	15,324	0	15,324
2006	46,808	0	46,808	10,093	0	10,093
2007	31,356	21,400	52,756	16,298	0	16,298
2008	26,622	1,748	26,622	17,309	0	17,309
2009	25,395	0	25,395	13,401	1,770	15,172
2010	35,219	210	35,429	18,446	0	18,446

Source: U.S. Census Bureau

(http://censtats.census.gov/bldg/bldgprmt.shtml)

Total Taxable Transactions for Los Altos, Los Altos Hill and Santa Clara County

Year	Los Altos	Los Altos Hills	Santa Clara County
2001	206,314	9,410	32,133,247
2002	184,731	8,050	27,453,942
2003	181,202	6,722	27,062,663
2004	194,076	7,058	28,491,576
2005	200,659	7,283	30,193,802
2006	205,603	7,163	32,273,238
2007	224,289	8,187	33,663,448
2008	219,960	8,001	32,274,306
2009	181,790	7,252	27,427,709
2010*	139,224	5,544	22,005,721

Source: State Board of Equalization (http://www.boe.ca.gov/news/tsalescont.htm)

**Information avaliable only for the first three quarters of 2010.*

Bank Deposits for Santa Clara County

Data unavailable for the District.

Fiscal Year	Deposits (in millions)
2002	38,316
2003	41,381
2004	46,601
2005	49,081
2006	49,927
2007	51,834
2008	51,217
2009	56,640
2010	62,548
2011	68,057

Source: Federal Deposit Insurance Corporation (http://www2.fdic.gov/sod/SODSumReport.asp)

Principal Employers, Santa Clara County

Most recent (FY2010) compared to nine years earlier

	Employer	Product/Service	Employees	% of Total County Employment	Fiscal Year 2001 Employees	Rank	% of Total County Employment
1	County of Santa Clara	Government	15,550	1.99%	15,511	1	1.73%
2	Cisco Systems	Computer products	13,000	1.67%	1,500		0.17%
3	Lockheed Martin Corp.	Search & navigation systems	10,400	1.33%	12,750	2	1.42%
4	Stanford University	Higher Education	10,101	1.29%	10,500	4	1.17%
5	Apple Computer	Personal computers	10,000	1.28%	5,500		0.61%
6	City of San Jose	Government	6,623	0.85%	7,013	7	0.78%
7	Intel Corporation	Computer products	5,684	0.73%	6,000	9	0.67%
8	Stanford Hospital & Clinics	Medical & surgical hospital	5,569	0.71%	5,500		0.61%
9	Hewlett Packard Co.	Computers and software	5,001	0.64%	9,300	5	1.04%
10	Kaiser Permanente	Health Maintenance Organization	5,000	0.64%	5,000		0.56%
	Applied Materials	Computer products	3,500	0.45%	12,000	3	1.34%
	IBM Corporation	Data processing systems	2,650	0.34%	7,650	6	0.85%
	Silicon Graphics	Computer products	2,600	0.33%	7,000	8	0.78%
	Solectron California Corporation[1]	Electronic assembly	n/a	n/a	5,800	10	0.65%
	Total		95,678		111,024		
	Total County Employment		780,100		898,500		

[1] Acquired by Flextronics in 2007.

Source: County of Santa Clara annual financial report.

Staffing FTE by Function

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Instruction										
Teachers	208.44	207.92	212.82	214.48	215.65	222.72	229.03	231.63	224.22	223.92
Para-professionals	50.40	56.36	61.27	67.89	69.90	74.59	81.24	82.62	74.36	85.05
sub-total, Instruction	258.83	264.28	274.09	282.37	285.55	297.31	310.27	314.25	298.58	308.97
Instruction-related services	20.73	20.22	20.22	20.22	21.20	24.20	24.70	25.70	26.13	25.73
Pupil services	5.10	5.60	5.70	5.70	5.70	6.60	7.40	7.20	7.40	8.20
General administration	19.31	17.76	18.69	20.67	19.40	21.37	23.71	20.76	19.89	20.82
Plant services	24.50	19.63	19.63	19.63	23.38	23.75	23.75	23.38	23.00	23.00
Facilities acquistion & construction	3.00	2.00	2.00	2.00	1.00	0.00	0.00	0.00	0.00	0.00
Total, all staffing	331.47	329.48	340.33	350.58	356.23	373.23	389.84	391.29	375.00	386.72
Teachers (FTE)	208.44	207.92	212.82	214.48	215.65	221.72	228.03	230.63	223.22	223.10
% of total staffing	63%	63%	63%	61%	61%	59%	58%	59%	60%	58%

Source: District records.

2010–11 Teaching Staff Demographics

Average Age	46	
Average Years Teaching in District	10	
Average Total Years Teaching	15	
1st Year	4	teachers
2nd Year	5	teachers
3-5 Years	26	teachers
6+ Years	218	teachers
Male	27	
Female	226	
	253	
Ethnicity		
White	214	(88%)
All Other	39	(12%)
	253	
Highest Education Level Attained		
Masters or greater	136	
Teachers with CLAD Credentials	224	

Source: District records.

Capital Assets by Function and Activity

Function and Activity	Fiscal Year 2003	2004	2005	2006	2007	2008	2009	2010	2011
Instruction	$ 64,125,943	$ 68,237,145	$ 80,173,405	$ 79,764,924	$ 81,034,081	$ 100,820,061	$ 102,980,304	$ 103,050,454	$ 103,164,639
Supervision of instruction	988,858	1,108,257	1,291,809	2,710,175	2,753,297	360,061	360,061	360,061	360,061
Instruction library, media and technology	1,348,443	1,326,276	1,256,560	1,080,695	1,097,890	9,574,393	9,776,525	9,776,525	9,776,525
School site administration	5,164,036	5,759,828	6,476,500	6,533,561	6,637,518	9,741,352	9,930,707	9,930,707	9,930,707
Home-to-school transportation	1,458,316	911,155	811,843	710,962	722,274	-	-	-	-
Food services	89,896	124,844	107,266	136,296	138,465	21,892	47,158	47,158	47,158
All other pupil services	3,535,916	3,956,468	4,339,570	4,547,726	4,620,086	56,544	81,810	81,810	81,810
Data processing	439,492	940,530	720,287	794,417	807,057	156,274	165,384	165,384	178,860
All other general administration	8,270,449	10,711,381	8,924,585	8,289,304	8,421,197	2,721,189	2,726,948	2,726,948	2,726,948
Plant services	13,943,897	9,891,105	11,100,930	12,342,732	12,539,120	5,178,538	5,395,098	5,432,174	5,461,064
All other educational programs	519,400	80,258	-	-	-	-	-	-	-
Total capital assets	$ 99,884,646	$ 103,047,247	$ 115,202,755	$ 116,910,792	$ 118,770,984	$ 128,630,303	$ 131,463,995	$ 131,571,221	$ 131,727,772

During FY2008 capital assets were re-categorized to appropriate function/activity.

Information available only since FY 2003, the year GASB 34 was implemented.

Source: Data extracted from District Financial Statements.

School Building Information

	Year Built	*Year Renovated*	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Almond Elementary	*1957*	*2003*										
Square Feet			34,294	34,294	34,294	34,294	34,294	34,294	34,294	34,294	34,294	34,294
Capacity			450	450	450	450	450	450	450	450	450	450
Enrollment			555	579	564	581	571	574	586	554	538	531
Gardner Bullis Elementar	*1961*	*n/a*										
Square Feet			16,843	16,843	16,843	16,843	16,843	16,843	16,843	15,275	15,275	15,755
Capacity			200	200	200	200	200	200	200	200	200	200
Enrollment			374	341	*(closed)*		93	89	94	202	246	291
Covington Elementary	*1950*	*2003*										
Square Feet			53,378	53,378	48,824	48,824	48,824	48,824	48,824	48,824	48,824	48,824
Capacity			650	650	650	650	650	650	650	650	650	650
Enrollment			*(closed)*		553	477	488	542	542	488	455	455
Loyola Elementary	*1949*	*2004*										
Square Feet			34,648	34,648	34,648	34,648	34,648	34,648	34,648	34,648	34,648	34,648
Capacity			500	500	500	500	500	500	500	500	500	500
Enrollment			562	560	547	530	527	516	535	538	571	590
Oak Elementary	*1957*	*2005*										
Square Feet			23,606	23,606	23,606	23,606	23,606	23,606	23,606	23,606	23,606	23,606
Capacity			325	325	325	325	325	325	325	325	325	325
Enrollment			457	458	433	419	404	416	450	445	450	446
Santa Rita Elementary	*1957*	*2004*										
Square Feet			24,547	24,547	24,547	25,710	25,710	25,710	25,710	25,710	25,710	27,150
Capacity			325	325	325	400	400	400	400	400	400	400
Enrollment			498	519	541	536	552	577	575	514	523	542
Springer Elementary	*1955*	*2003*										
Square Feet			34,366	34,366	34,366	34,366	34,366	34,366	34,366	34,366	34,366	34,366
Capacity			500	500	500	500	500	500	500	500	500	500
Enrollment			616	619	438	450	445	463	490	490	521	516
Blach Intermediate	*1957*	*2002*										
Square Feet			51,115	56,983	56,983	56,983	56,983	56,983	56,983	56,983	56,983	56,983
Capacity			550	650	650	650	650	650	650	650	650	650
Enrollment			461	448	448	433	446	468	462	475	449	476
Egan Intermediate	*1959*	*2002*										
Square Feet			47,313	52,471	52,471	52,471	52,471	52,471	52,471	52,471	52,471	54,391
Capacity			500	625	625	625	625	625	625	625	625	625
Enrollment			446	508	526	515	510	513	531	539	534	537
District Administration	*1950*	*2003*	*(previously housed at*									
Square Feet			*Covington School)*		12,593	12,593	12,593	12,593	12,593	12,593	12,593	12,593
Maintenance	*2003*	*n/a*	*(previously housed at*									
Square Feet			*Covington School)*		5,440	5,440	5,440	5,440	5,440	5,440	5,440	5,440

[1] *Gardner Bullis School housed only pilot full day kindergarten classes in FY2006 through FY2008.*

Square Footage reflects permanent buildings only.
Capacity based on average of 25 students per classroom and excludes portable buildings.

Source: District records.

History of Investment Income (Interest Earnings)

By Fund Type

Fiscal Year	General	Special Revenue	Capital Projects	Bond Interest & Redemption	Total, All Funds
2002	228,205	63,769	2,512,081	38,636	2,842,691
2003	124,020	18,208	808,317	20,514	971,059
2004	209,446	15,683	543,712	16,208	785,049
2005	221,052	23,784	147,035	23,381	415,252
2006	329,258	37,524	34,653	47,512	448,947
2007	436,951	34,290	513,228	71,415	1,055,884
2008	311,471	33,309	328,580	72,154	745,514
2009	402,979	18,973	26,869	44,427	493,248
2010	202,434	7,544	(3,695)	13,681	219,964
2011	184,310	1,396	4,862	21,010	211,578

Includes interest earnings in Deferred Maintenance Fund, which in the Statement of Activities are reclassified as Operating Grants & Contributions (per GASB 34).

Source: District records.

LASD Community Demographic Data: 2008 [1]

	District	County	State
Population	42,383	1,734,756	36,418,499
Distribution by Age			
Under 5 Years	5%	8%	7%
5–19 Years	20%	19%	21%
20–44 Years	25%	37%	37%
45–64 Years	32%	25%	24%
65 Years or Older	17%	11%	11%
Median Age	45	37	35
Household Characteristics			
Number of children under 18	10,261	418,923	9,342,343
% Living in Single-Parent Households	9%	23%	30%
Income and Wealth			
Median Household Income	$148,724	$87,287	$61,154
Income Per Person	$80,347	$40,420	$29,405
Median Home Value	$1,000,000+	$743,200	$510,200
Adult Education Attainment Levels			
Adults with H.S. Diploma	97%	86%	80%
Adults with Bachelor's Degree	75%	64%	29%

Source: U.S. Census Bureau, 2006-2008 American Community Survey
http://factfinder.census.gov/

[1] *The data is updated every two years, with this being the most recent data available. The report next year will reflect census data from 2008-2010. Data from that report was unavailable at the time of this report.*

Comparative Birth Data

Calendar Year	LASD Zip Codes	Santa Clara County	California
2001	388	27,076	527,371
2002	411	27,060	529,245
2003	390	26,997	540,827
2004	373	26,537	544,685
2005	385	26,553	548,700
2006	376	26,942	562,157
2007	377	27,484	566,137
2008	366	26,730	551,567
2009	314	25,200	526,774
2010	318	23,936	509,974

Total births by place of mother's residence. Data for Los Altos School District extracted from zip code data.

Source: California Department of Health Statistics

Miscellaneous Statistics

District Name:	Los Altos School District	
Type of District:	Elementary (K-8)	
Year Founded:	1909	
Area (square miles):	15	*(est.)*
Population Served:	40,645	*(est.)*
Number of Schools:		
Elementary (K-6)	7	
Intermediate (7-8)	2	
Total	9	
Enrollment:		
Elementary (K-6)	3,371	*(Fall 2010)*
Intermediate (7-8)	1,013	*(Fall 2010)*
Total	4,384	
% of students eligible for free or reduced lunches	3%	
Number of Employees:		
Certificated	233	*full-time equivalents*
Classified	131	*full-time equivalents*
Management/Confidential	23	*full-time equivalents*
Total	387	
Teacher to Pupil Ratio:	19.48	

Source: District records.

State and Federal Award Compliance Information Section

Education Audit Appeals Panel Section 19833.5 (a)(3) or (a)(3)(b) Disclosure

Los Altos School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.

Los Altos School District

Schedule of Average Daily Attendance

For the Fiscal Year Ended June 30, 2011

	Second Period Report	Annual Report
Elementary:		
Kindergarten	463.06	463.67
Grades one through three	1,416.92	1,421.16
Grades four through six	1,358.95	1,360.37
Grades seven and eight	973.73	973.60
Home and Hospital	0.23	0.29
Special education	87.96	88.53
ADA Totals	4,300.85	4,307.62

Los Altos School District
Schedule of Instructional Time Offered
For the Fiscal Year Ended June 30, 2011

Grade Level	1982-83 Actual Minutes[1]	Reduced 1982-83 Actual Minutes[1]	1986-87 Minutes Requirements[1]	Reduced 1986-87 Minutes Requirements[1]	2010-11 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	31,500	30,625	36,000	35,000	35,305	180	0	In compliance
Grades 1	49,875	48,490	50,400	49,000	51,197	180	0	In compliance
Grades 2	49,875	48,490	50,400	49,000	51,197	180	0	In compliance
Grades 3	49,875	48,490	50,400	49,000	51,197	180	0	In compliance
Grades 4	55,125	53,594	54,000	52,500	54,728	180	0	In compliance
Grades 5	55,125	53,594	54,000	52,500	54,728	180	0	In compliance
Grades 6	55,125	53,594	54,000	52,500	54,728	180	0	In compliance
Grades 7	57,750	56,146	54,000	52,500	57,750	180	0	In compliance
Grades 8	57,750	56,146	54,000	52,500	57,750	180	0	In compliance

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

[1] Commencing in the 2009-10 school year and continuing through the 2012-13 school year, a school district, county office of education or charter school may reduce the equivalent of up to 5 days of instruction or the equivalent number of instructional minutes without incurring penalties set forth in Sections 41420, 46200, 46200.5, 46201, 46202, and 47612.5. A school district, county office of education, or charter school shall receive revenue limit funding based on the adjustments prescribed pursuant to Section 42238.146 whether or not it reduces the number of school days or instructional minutes.

Los Altos School District
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2011

	2012 (Budgeted)	2011	2010	2009
General Fund				
Revenues and other financial sources	$ 40,529,563	$ 44,318,303	$ 43,561,163	$ 43,538,749
Expenditures	41,985,615	42,743,485	41,771,005	41,885,604
Other uses and transfers (out)	125,505	1,364,462	275,848	-
Total outgo	42,111,120	44,107,947	42,046,853	41,885,604
Change in fund balance	(1,581,557)	210,356	1,514,310	1,653,145
Ending fund balance (1)	$ 5,808,547	$ 7,390,104	$ 6,754,298	$ 5,239,988
Available reserves (2) (3)	$ 4,852,877	$ 5,435,873	$ 5,071,193	$ 3,099,496
Available reserves as a percentage of total outgo	11.6%	12.7%	12.1%	7.4%
Total long-term debt	$ 88,050,487	$ 91,432,020	$ 94,984,640	$ 97,746,464
Average daily attendance at P2	4,361	4,301	4,197	4,156

Average daily attendance has increased by 145 over the past three years. The district anticipates an increase of 60 ADA.

(1) Fiscal year 2011 includes beginning balances of $425,450 from the Special Reserve Fund for Other Than Capital Outlay Projects, which is combined with the General Fund since it does not meet the definition of a special revenue fund per GASB 54.

(2) Available reserves consists of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties. For a district of this size, the State recommends available reserves of at least 3% of total outgo.

(3) Prior year available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty within the general fund and the special reserve fund for other than capital outlay projects.

Los Altos School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011

PROGRAM NAME	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education			
Special Education Cluster			
IDEA Local Assistance	84.027	13379	$ 603,896
IDEA Private School ISPs	84.027	10115	23,951
IDEA Preschool Local Grant	84.027	13682	57,684
IDEA Preschool Staff Development	84.173	13431	422
IDEA Preschool	84.173	13430	29,748
Total Special Education Cluster			715,701
Title I, Part A Cluster			
Title I: Block Grant	84.010	14329	104,741
Title I: ARRA	84.389	15005	147
Total Title I, Part A Cluster			104,888
ARRA Education Jobs Fund	84.410 (1)	25152	786,866
Title II: Part A, Teacher Quality	84.367	15144	50,277
Title II: Part A, Administrator Training	84.367	14344	5,943
Title III: Immigrant Education Program	84.365	15146	30,955
Title III: Limited English Proficiency	84.365	14346	35,885
TOTAL U. S. DEPARTMENT OF EDUCATION			1,730,515
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education			
National school lunch program	10.555	13390	60,890
TOTAL FEDERAL PROGRAMS			$ 1,791,405

(1) Audited as major program

Los Altos School District
Reconciliation of Annual Financial and Budget Report (SACS)
with Audited Financial Statements
For the Fiscal Year Ended June 30, 2011

	GENERAL FUND	BUILDING FUND	BOND INTEREST AND REDEMPTION FUND	OTHER [1] NONMAJOR GOVERNMENTAL FUNDS	CAPITAL ASSETS	LONG TERM Liabilities
JUNE 30, 2011 ANNUAL FINANCIAL AND BUDGET REPORT (SACS) FUND BALANCES, CAPITAL ASSETS & LONG TERM LIABILITIES	$ 5,743,832	$ 431,259	$ 6,932,467	$ 525,866	$ 104,627,201	$ 91,649,000
ADJUSTMENTS AND RECLASSIFICATIONS:						
Special Reserve Fund for Other Than Capital Outlay:						
Cash with County Treasury	428,078	-	-	-	-	-
Accounts receivable	747	-	-	-	-	-
Special Reserve Fund for Postemployment Benefits:						
Cash with County Treasury	1,215,930	-	-	-	-	-
Accounts receivable	1,517	-	-	-	-	-
Depreciation adjustment for capital assets	-	-	-	-	(4,156)	-
Compensated absences	-	-	-	-	-	(113)
Net OPEB obligation	-	-	-	-	-	414,066
Unamortized bond premium	-	-	-	-	-	7,781,711
Deferred loss on early retirement of long-term debt	-	-	-	-	-	(8,412,644)
JUNE 30, 2011 AUDITED FINANCIAL STATEMENTS FUND BALANCES, CAPITAL ASSETS & LONG TERM LIABILITIES	$ 7,390,104	$ 431,259	$ 6,932,467	$ 525,866	$ 104,623,045	$ 91,432,020

[1] Includes the following funds:

Deferred maintenance fund	$ 242,494
Capital facilities fund	283,372
Total other governmental funds	$ 525,866

1. PURPOSE OF SCHEDULES

A. Schedule of Excess Sick Leave
This schedule provides information on whether the District grants excess sick leave, as that term is defined in subdivision (c) of Education Code Section 22170.5, to employees who are members of the California State Teachers Retirement System.

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

C. Schedule of Instructional Time
The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

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

E. Schedule of Expenditures of Federal and State Awards
To comply with state requirements, this schedule was prepared for the District that shows activity related to federal and state awards.

F. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
This schedule provides the information necessary to reconcile the fund balances of all funds reported on the SACS report to the audited financial statements.

2. RESULTS OF RECONCILIATIONS OF EXPENDITURES PER SCHEDULE OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEM
There were no unreconciled differences between the District's records and the Schedule of Federal Grant Activity as shown on the Schedule of Expenditures of Federal Awards.

3. EARLY RETIREMENT INCENTIVE PROGRAM
The District has not adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased to two years.

4. BASIS OF PRESENTATION – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Chavan & Associates, LLP Certified Public Accountants
Sheldon Chavan, CPA • Bret Harrell, CPA

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

Board of Trustees
Los Altos School District
Los Altos, California

We have audited the basic financial statements of Los Altos School District as of and for the year ended June 30, 2011, and have issued our report thereon dated October 21, 2011. We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal controls over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, express no opinion on it.

This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

C & A LLP

October 21, 2011
Campbell, California

Chavan & Associates, LLP Certified Public Accountants
Sheldon Chavan, CPA • Bret Harrell, CPA

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

Board of Trustees
Los Altos School District
Los Altos, California

Compliance

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

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

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

Internal Control over Compliance

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

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

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

This report is intended solely for the information and use of the Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

C & A LLP

October 21, 2011
Campbell, California

Chavan & Associates, LLP Certified Public Accountants
Sheldon Chavan, CPA • Bret Harrell, CPA

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Los Altos School District
Los Altos, California

We have audited the accompanying financial statements of the governmental fund activities, each major fund, and the aggregate remaining fund information of the Los Altos School District, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 21, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11 (K-12 Audit Guide)*, published by the Education Audit Appeals Panel. 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 opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Description	Procedures in the Audit Guide	Procedures Performed
Attendance Reporting	8	8
Kindergarten Continuance	3	3
Independent Study	23	None
Continuation Education	10	None
Instructional Time:		
School Districts	6	6
County Offices of Education	3	Not applicable
Instructional Materials -General Requirements	8	8
Ratios of Administrative Employees to Teachers	1	1
Classroom Teacher Salaries	1	1
Early Retirement Incentive	4	4
Gann Limit Calculation	1	1
School Accountability Report Card	3	3
Public Hearing Requirements - Receipt of Funds	1	1
Class Size Reduction:		
General Requirements	7	7
Option One	3	3
Option Two	4	Not applicable
Districts or Charter Schools with Only One School Serving K-3	4	Not applicable

After School Education and Safety Program		
General Requirements	4	Not applicable
After School	4	Not applicable
Before School	5	Not applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes - Classroom Based	3	Not applicable

Procedures were not performed for the District's independent study and continuation education programs as their ADA was below the level required to be tested by the state audit guide.

Based on our audit, we found that, for the items tested, the Los Altos School District complied with the state laws and regulations referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the District had not complied with the state laws and regulations.

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

C & A LLP

October 21, 2011
Campbell, California

Schedule of Findings and Questioned Costs

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	**Unqualified**	
Internal control over financial reporting:		
Material weaknesses?	___ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	X Yes	___ No
Non-compliance material to financial statements noted?	___ Yes	X No

Federal Awards

Internal control over major programs:		
Material weaknesses?	___ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes	X No
Type of auditor's report issued on compliance over major programs	**Unqualified**	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a)	___ Yes	X No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program
84.410	ARRA Education Jobs Fund

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000	
Auditee qualified as low risk auditee?	X Yes	___ No

State Awards

Internal control over state programs:		
Material weaknesses?	___ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes	X No
Type of auditor's report issued on compliance over state programs:	**Unqualified**	

Section II - Financial Statement Findings

Finding 2011-1; 30000 – Associated Student Body (ASB) Funds, Commingling PTA Funds

Criteria or Specific Requirements
Because student organizations operate under the school entity's tax-exempt status, the funds deposited in bank accounts are not subject to state or federal taxes. For this reason, the funds raised by parent groups, booster clubs, foundations or auxiliary organizations should not be deposited into or commingled with the student organization's or the school entity's funds or bank accounts; rather, they should be deposited into the parent group's own bank account. Parent groups may donate funds to the student organization(s); however, after they do so, only the student organizations can control how the funds will be used.

These nonstudent groups are also responsible for their own tax status and accounting; they may not use the district's tax-exempt status or open bank accounts using the district's tax identification number.

Organizations formed by teachers and/or other employees of a school entity also are not a part of the ASB or the district and may not use the district's tax identification number or deposit funds into the school's ASB account or district bank accounts.

Condition
During the audit of the district's ASB Funds at Egan Junior High School, we noted that checks received from the school's Parent Teacher Association (PTA) were deposited into the ASB accounts.

Questioned costs
There are no questioned costs associated with this condition.

Context
Expenditure of student funds for expenses of parent-teacher organizations such as the PTA or boosters is not usually allowable because they do not directly promote the general welfare, morale or educational experience of the students, or are considered a district responsibility, or are a gift of public funds.

Management is responsible for establishing and maintaining an effective internal control system to provide it with a reasonable, but not absolute, assurance that transactions are executed in accordance with management's authorizations, recorded properly and are allowable student body transactions.

Effect
The District was not in compliance with California Education Code and Board Policies regulating student body activities.

Cause
It appears that decentralized operations were dependent on the actions of individuals who were not aware of the specific requirements noted above.

Recommendation
We recommend that the district work with site personnel to correct the above-mentioned issues. The District should consider providing annual in-house training to site personnel and periodically review the progress of improvement regarding these issues. We also recommend that the District implement a policy requiring a semi-annual internal audit and review of the ASB accounts and transactions.

District Response
The District has increased its efforts to provide training for staff members who are responsible for ASB activities. The District has provided Quicken (ASB accounting software) training to all the sites that will provide broader access to ASB financial information and will allow students, advisors, site administrators, and the district business office to monitor ASB activities more closely. In addition, all PTA funds have been removed from the ABS accounts and the commingling of funds has been stopped.

Section III – Federal Awards Findings

None

Section IV – State Awards Findings

None

Schedule of Prior Year Findings and Recommendations

Section II - Financial Statement Findings
None

Section III – Federal Awards Findings
None

Section IV – State Awards Findings
None

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APPENDIX B

CITY OF LOS ALTOS AND SANTA CLARA COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

The following economic and demographic data for the City and the County are presented for information purposes only. Such data has been collected from the City and the County or, as noted, third party sources. The Bonds are not a debt or obligation of the City or the County. The District encompasses a relatively small area within the County and the property tax required to be levied by the County to repay the Bonds will be levied only on property located in the District.

Population

The following table summarizes population figures for the City and the County.

CITY OF LOS ALTOS AND SANTA CLARA COUNTY
Population 2001-2012

Year	City	County
2001	27,802	1,690,366
2002	27,713	1,693,230
2003	27,565	1,693,752
2004	27,517	1,695,602
2005	27,381	1,698,234
2006	27,446	1,706,676
2007	27,831	1,725,066
2008	28,076	1,747,912
2009	28,376	1,767,204
2010	28,838	1,781,427
2011	29,136	1,794,337
2012	29,460	1,816,486

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 & 2010 Census Counts. Benchmark. Sacramento, California, September 2011. State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State, 2011 and 2012. Benchmark, Sacramento, California, May 1, 2012. The 1980, 1990 and 2000 totals are U.S. Census figures

Median Household Income

The following table summarizes the median household effective buying income for the City, the County, the State and the nation for the years 2007 through 2011.

CITY OF LOS ALTOS, SANTA CLARA COUNTY
STATE OF CALIFORNIA AND UNITED STATES
Median Household Effective Buying Income
2007-2011

Year Ending	City of Los Altos	Santa Clara County	State of California	United States of America
2007	104,975	67,498	48,203	41,792
2008	107,801	68,929	48,952	42,303
2009	110,231	71,077	49,736	43,252
2010	109,181	68,047	47,177	41,368
2011	108,753	67,801	47,062	41,253

Source: Nielsen, Inc.

Commercial Activity

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

CITY OF LOS ALTOS AND SANTA CLARA COUNTY
Total Taxable Transactions All Outlets, 2006-2010
(Dollars in Thousands)

	City		County	
Year	Permits	Taxable Transactions	Permits	Taxable Transactions
2006	1,192	205,603	48,313	32,273,238
2007	1,188	224,289	47,651	33,663448
2008	1,167	219,960	47,253	32,274,306
2009	1,057	181,790	43,396	27,427,709
2010 (1)	1,039	191,425	43,583	30,523,322

Source: State Board of Equalization
(1) Latest available full-year data

Major Employers

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

SANTA CLARA COUNTY
Major Employers
(Listed Alphabetically)

Company Name	Location	Business Type
AAA-Affordable Tutoring	Santa Clara	Tutoring
Adobe Systems Inc	San Jose	Publishers-computer software (mfrs)
Advanced Micro Devices Inc	Sunnyvale	Computers-system designers & consultants
Apple Inc	Cupertino	Computers-electronic-manufacturers
Cadence Design Systems Inc	San Jose	Computers-system designers & consultants
Café Adobe	San Jose	Full-service restaurant
California's Great America	Santa Clara	Amusement Places
Christopher Ranch LLC	Gilroy	Garlic (mfrs)
El Camino Hospital	Mountain View	Hospitals
Fine Pitch	Milpitas	Solar energy equipment-manufacturers
Hewlett-Packard	Cupertino	Computers-electronic-manufacturers
Hewlett-Packard Co	Palo Alto	Computers-electronic-manufacturers
HP Pavilion at San Jose	San Jose	Stadiums arenas & athletic fields
Intel Corp	Santa Clara	Semiconductor devices (mfrs)
Kaiser	San Jose	Hospitals
Kaiser Permanente Medical Ctr	San Jose	Hospitals
Lockheed Martin Space Systems	Sunnyvale	Satellite equipment & systems (mfrs)
Microsoft Corp	Mountain View	Computer software-manufacturers
NASA	Mountain View	Federal Government-Space Research/Tech
Net App Inc	Sunnyvale	Computers-electronic-manufacturers
Philips Lumileds Lighting Co	San Jose	Lighting fixtures-supplies & parts (mfrs)
San Jose State	San Jose	Schools-Universities & College Academic
Texas Instruments Inc.	Santa Clara	Computers-Multimedia
VA Medical Ctr-Palo Alto	Palo Alto	Hospitals
Valley Medical Center	San Jose	Services NEC

Source: America's Labor Market Information System (ALMIS) Employer Database, 2013 1st Edition. Employer information is provided by infogroup, Omaha, NE, 800/555-5211. Copyright © 2013. All Rights Reserved.

Industry and Employment

The following table summarizes historical employment and unemployment for the City of Los Altos.

CITY OF LOS ALTOS
Civilian Labor Force, Employment and Unemployment
Annual Averages
2007-2011

	2007	2008	2009	2010	2011 (4)
Civilian Labor Force (1)					
Employment	12,200	12,400	11,800	11,900	12,300
Unemployment (2)	300	400	700	700	600
Total	12,500	12,800	12,500	12,600	12,900
Unemployment Rate (3)	2.3%	3.0%	5.5%	5.6%	4.9%

Source: California Employment Development Department, based on March 2012 benchmark.
(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures in this table.
(4) Latest available full-year data

SANTA CLARA COUNTY,
CALIFORNIA, AND UNITED STATES
Labor Force, Employment, and Unemployment
Annual Averages
2007-2011

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate (1)
2007				
Santa Clara County	844,700	805,100	39,600	4.7%
California	17,921,000	16,960,700	960,300	5.4
United States	153,124,000	146,047,000	7,078,000	4.6
2008				
Santa Clara County	870,300	818,300	52,000	6.0%
California	18,203,100	16,890,000	1,313,100	7.2
United States	154,287,000	145,362,000	8,924,000	5.8
2009				
Santa Clara County	875,200	780,500	94,600	10.8%
California	18,208,300	16,144,500	2,063,900	11.3
United States	154,142,000	139,877,000	14,265,000	9.3
2010				
Santa Clara County	880,800	784,100	96,700	11.0%
California	18,316,400	16,051,500	2,264,900	12.4
United States	153,889,000	139,064,000	14,825,000	9.6
2011 (2)				
Santa Clara County	896,200	809,300	86,900	9.7%
California	18,384,900	16,226,600	2,158,300	11.7
United States	153,616,667	139,869,250	13,747,417	8.9

Source: California Employment Development Department, Benchmark, March 2012 and US Department of Labor.
(1) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures in this table.
(2) Latest available full-year data

The following table shows the estimated number of labor force by industry group for 2007 through 2011 in the County.

SANTA CLARA COUNTY
Annual Average Wage and Salary Employment by Industry*
(Amounts in Thousands)
2007-2011

	2007	2008	2009	2010	2011(1)
Industry Employment					
Total Wage and Salary	900,300	905,200	847,500	846,200	869,000
Total Farm	3,900	3,700	3,500	3,500	3,400
Total Nonfarm	896,500	901,500	844,000	842,600	865,600
Goods Producing	209,600	208,200	186,900	182,600	186,300
Natural Resources and Mining	300	300	200	200	200
Construction	45,500	42,800	33,400	31,400	30,600
Manufacturing	163,800	165,200	153,300	151,000	155,500
Service Providing	686,900	693,300	657,100	660,000	679,200
Trade, Transportation and Utilities	137,300	135,300	124,200	123,200	125,000
Information	39,500	42,200	41,500	43,800	48,900
Financial Activities	36,800	34,200	31,200	30,600	31,400
Professional and Business Services	176,600	178,000	160,700	161,300	168,800
Education and Health Services	102,500	107,200	108,400	112,000	116,600
Leisure and Hospitality	75,300	76,600	73,500	73,800	75,200
Other Services	24,600	25,000	24,100	23,900	23,900
Government	94,300	94,900	93,400	91,500	89,500

Source: California Employment Development Department, Benchmark, March 2011.
(1) Latest available full-year data
Note: Employment is reported by place of work; it does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not add to totals due to rounding.

Construction Activity

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

CITY OF LOS ALTOS
Building Permits and Valuation
(Dollars in Thousands)
2007-2011

	2007	2008	2009	2010	2011
Permit Valuation:					
New Single-family	$ 31,356	$26,622	$25,479	$ 35,219	$31,673
New Multi-family	21,400	1,748	—-	210	8,178
Res. Alterations/Additions	39,672	34,266	30,567	30,366	40,229
Total Residential	92,428	62,635	56,046	65,794	80,080
Total Nonresidential	11,463	6,655	4,461	43,683	12,109
Total All Building	$103,891	$69,290	$60,508	$109,477	$92,189
New Dwelling Units:					
Single Family	41	36	29	80	44
Multiple Family	82	8	0	3	23
Total	123	44	29	83	67

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

SANTA CLARA COUNTY
Building Permits and Valuation
(Dollars in Thousands)
2007-2011

	2007	2008	2009	2010	2011
Building Permits:					
Single Family	2,063	1,259	667	826	978
Multi-Family	2,520	2,419	450	3,627	2,234
Total	4,583	3,678	1,117	4,453	3,212
Building Permit Valuation					
Residential:					
Single Family	$ 643,374	$ 382,423	$ 245,033	$ 307,367	$ 366,126
Multi Family	327,006	302,105	74,466	457,924	315,853
Alterations-Additions	404,731	366,602	259,190	320,583	392,229
Total Residential	$1,375,111	$1,051,129	$ 578,690	$1,085,874	$1,074,208
Non-Residential:					
New Commercial	$ 666,881	$ 489,101	$ 215,434	$ 267,010	228,075
New Industrial	60,014	48,565	0	33,862	68,701
Other	179,103	389,032	213,976	119,683	47,729
Alterations-Additions	1,080,225	987,855	758,366	735,059	1,122,235
Total Non-Residential	$1,986,224	$1,914,552	$1,187,776	$1,155,614	$1,466,740

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

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Trustees of the
Los Altos School District
201 Covington Road
Los Altos, California 94024

OPINION: $26,730,000* Los Altos School District (Santa Clara County, California) 2013 General Obligation Refunding Bonds

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Members of the Board of Trustees:

We have acted as bond counsel to the Los Altos School District (the "District") in connection with the issuance by the District of $26,730,000* principal amount of Los Altos School District (Santa Clara County, California) 2013 General Obligation Refunding Bonds (the "Bonds"), pursuant to provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), a resolution adopted by the Board of Trustees of the District on December 10, 2012 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

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

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

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* Preliminary, subject to change.

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

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

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

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

Respectfully submitted,

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the LOS ALTOS SCHOOL DISTRICT (the "District") in connection with the issuance by the District of its $26,730,000* Los Altos School District (County of Santa Clara, California) 2013 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on December 10, 2012 (the "Resolution"). The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

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

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2012-13 Fiscal Year, which is due not later than March 31, 2014, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report

* Preliminary, subject to change.

that is consistent with the requirements of Section 4 of this Disclosure Certificate. The filing of the official statement prepared for the Bonds shall satisfy the filing requirement for 2013. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

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

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

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

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

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

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

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

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

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

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

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

Section 5. Reporting of Listed Events.

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

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

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Non-payment related defaults.
(2) Modifications to rights of security holders.
(3) Bond calls.
(4) The release, substitution, or sale of property securing repayment of the securities.
(5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

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

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

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

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

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

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

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

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

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

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners.

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

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

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

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

Date: [Closing Date]

LOS ALTOS SCHOOL DISTRICT

By ____
Authorized Officer

ACKNOWLEDGED:

KNN PUBLIC FINANCE, as Dissemination Agent

By ____
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Los Altos School District
Name of Issues:	Los Altos School District (County of Santa Clara, California) 2013 General Obligation Refunding Bonds
Date of Issuance:	[Closing Date]

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

Dated: ___________________

KNN PUBLIC FINANCE, as Dissemination Agent

By ____

Title ______________________________________

cc: Paying Agent

APPENDIX E

BOOK-ENTRY SYSTEM

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

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

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

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

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

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

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

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

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