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 OCTOBER 28, 2014

NEW ISSUE - FULL BOOK-ENTRY
BANK QUALIFIED

RATINGS: Moody's: "Aa3"
Standard & Poor's: "A+"
See "RATINGS" herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, interest on the Series D Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, interest on the Series D Bonds is taken into account in determining certain income and earnings, and the Series D Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series D Bonds is exempt from California personal income taxes. See "TAX MATTERS."

$9,275,000*
SAN LORENZO UNIFIED SCHOOL DISTRICT
(Alameda County, California)
General Obligation Bonds
Election of 2008, Series D
(Bank Qualified)

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

Authority and Purpose. The San Lorenzo Unified School District (Alameda County, California) General Obligation Bonds, Election of 2008, Series D (the "Series D Bonds") are being issued by the San Lorenzo Unified School District (the "District") pursuant to the laws of the State of California and a resolution of the Board of Education of the District adopted on September 16, 2014 (the "Bond Resolution"). The Series D Bonds are being issued to finance educational projects approved by District voters at an election held in the District on November 4, 2008. See "THE SERIES D BONDS – Authority for Issuance" and "THE FINANCING PLAN."

Security for the Series D Bonds. The Series D Bonds are general obligations of the District. There are currently other series of general obligation bonds in the District that are similarly secured by tax levies. All general obligation bonds are issued on a parity basis with one another. See "SECURITY FOR THE SERIES D BONDS."

Payments. Interest on the Series D Bonds accrues from the date of delivery. Interest on the Series D Bonds is payable semiannually on February 1 and August 1, of each year, commencing February 1, 2015. Payments of principal and interest on the Series D Bonds will be paid by U.S. Bank National Association, San Francisco, California, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Series D Bonds. See "THE SERIES D BONDS - Description of the Series D Bonds."

Redemption. The Series D Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES D BONDS –Redemption."

Book-Entry Only. The Series D Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interests in the Series D Bonds. See "THE SERIES D BONDS – Description of the Series D Bonds - Book-Entry Form" and "APPENDIX F - Book-Entry Only System."

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

PFM Public Financial Management, Inc.

MATURITY SCHEDULE
(see inside front cover)

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

The Series D Bonds will be sold pursuant to a competitive bidding process to be held on November 5, 2014 pursuant to the terms of an Official Notice of Sale. The Series D Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters also will be passed upon for the District by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. It is anticipated that the Series D Bonds in definitive form will be available for delivery to Cede & Co., as nominee of The Depository Trust Company, on or about November 19, 2014.

The date of this Official Statement is: _____ __, 2014

**Preliminary, subject to change*.

MATURITY SCHEDULE*

SAN LORENZO UNIFIED SCHOOL DISTRICT
(Alameda County, California)
General Obligation Bonds
Election of 2008, Series D

$9,275,000 Serial Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP(†)
2034	$625,000				
2035	750,000				
2036	850,000				
2037	950,000				
2038	1,300,000				
2039	1,450,000				
2040	1,600,000				
2041	1,750,000				

** Preliminary, subject to change.*

†: Copyright 2014, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the District nor the Purchaser assumes any responsibility for the accuracy of these CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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 Purchaser.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Purchasers 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 Purchaser.

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 Series D 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.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof.

Involvement of Purchasers. The following statement has been included in this Official Statement on behalf of the Purchasers of the Series D Bonds: The Purchaser has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Purchaser does not guarantee the accuracy or completeness of such information.

Stabilization of and Changes to Offering Prices. The Purchaser may overallot or take other steps that stabilize or maintain the market prices of the Series D Bonds at levels above that which might otherwise prevail in the open market. If commenced, the Purchaser may discontinue such market stabilization at any time. The Purchasers may offer and sell the Series D Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Purchaser.

Document Summaries. All summaries of the Bond 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 Series D Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Series D Bonds have not been registered or qualified under the securities laws of any state.

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 Series D Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

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

SAN LORENZO UNIFIED SCHOOL DISTRICT
ALAMEDA COUNTY
STATE OF CALIFORNIA

BOARD OF EDUCATION

Norman D. Fobért, *President*
Penny Peck, *Vice President/Clerk*
Helen Foster, *Member*
Isabel Polvorosa, *Member*
Helen T. Randall, *Member*

DISTRICT ADMINISTRATIVE STAFF

Dr. Fred Brill, *Superintendent*
Lowell Shira, Ph.D., *Assistant Superintendent, Business Services**

FINANCIAL ADVISOR

Public Financial Management
San Francisco, California

BOND COUNSEL and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

PAYING AGENT

U.S. Bank National Association
San Francisco, California

**Dr. Shira is retiring effective October 31, 2014. The District Board has selected a qualified successor who will assume the position of Assistant Superintendent, Business Services upon Dr. Shira's retirement.*

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$9,275,000*
SAN LORENZO UNIFIED
SCHOOL DISTRICT
(Alameda County, California)
General Obligation Bonds
Election of 2008, Series D

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the General Obligation Bonds, Election of 2008, Series D captioned above (the "**Bonds"**) by the San Lorenzo Unified School District (the "**District**").

INTRODUCTION

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

The District. The District provides educational services to the residents of unincorporated areas in Alameda County (the "**County**") known as San Lorenzo and Ashland, and to a portion of Cherryland, an unincorporated area between the cities of San Leandro and Hayward, as well as to all of Washington Manor, a largely residential area within the City of San Leandro. The District serves students in grades kindergarten through twelve, and operates nine elementary schools, three middle schools, four high schools and one adult school. Two charter schools operate within District boundaries. Enrollment in fiscal year 2014-15 is approximately 11,100 students.

For more information regarding the District and its finances, see Appendix A and Appendix B attached hereto. See also Appendix C hereto for demographic and other statistical information regarding the County.

Purposes. The Series D Bonds are being issued by the District to finance educational projects approved by District voters at an election held in the District on November 4, 2008 (the **"Bond Election"**), which authorized the issuance of $83 million in general obligation bonds. See "THE FINANCING PLAN" herein.

Authority for Issuance of the Series D Bonds. The Series D Bonds will be issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 of the Government Code and a resolution adopted by the Board of Education of the District on September 16, 2014 (the **"Bond Resolution"**). See "THE SERIES D BONDS - Authority for Issuance" herein.

**Preliminary, subject to change.*

Payment and Registration of the Series D Bonds. The Series D Bonds are being issued as current interest bonds. The Series D Bonds will be dated their date of original issuance and delivery (the "**Dated Date**") and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple of $5,000, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described below. Beneficial Owners will not be entitled to receive physical delivery of the Series D Bonds. See "THE SERIES D BONDS" and "APPENDIX F –Book-Entry Only System."

Interest on the Series D Bonds accrues from the date of delivery. Interest on the Series D Bonds is payable semiannually on February 1 and August 1, of each year, commencing February 1, 2015. See "THE SERIES D BONDS - Description of the Series D Bonds."

Redemption. The Series D Bonds are subject to redemption prior to their maturity as described in "THE SERIES D BONDS - Redemption."

Security and Sources of Payment for the Series D Bonds. The Series D Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Series D Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). See "SECURITY FOR THE SERIES D BONDS."

The District has other series of general obligation bonds that are payable from *ad valorem* taxes levied on taxable property in the District. For a schedule of the general obligation bonds issued by the District, see "DEBT SERVICE SCHEDULES" and "APPENDIX B - GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT - DISTRICT FINANCIAL INFORMATION - Long Term Borrowing."

Bank Qualified. The District has designated the Series D Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986. Such section provides an exception to the prohibition against the ability of a "financial institution" (as defined in the Internal Revenue Code of 1986) to deduct its interest expense allocable to tax-exempt interest. See "TAX MATTERS" herein.

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Series D Bonds are available by request to the Office of the District Superintendent at San Lorenzo Unified School District, 15510 Usher Avenue, San Lorenzo, California 94580; telephone (510) 317-4600. The District may impose a charge for copying, mailing and handling.

END OF INTRODUCTION

THE FINANCING PLAN

The proceeds of the Series D Bonds will be used for the acquisition and construction of school facilities projects approved by the District's voters at the Bond Election, and paying related costs of issuance. At the Bond Election, the District received authorization by 74.45% (which exceeds the required 55%) affirmative vote of the qualified electors to issue general obligation bonds in a principal amount not to exceed $83,000,000 (the "**2008 Authorization**"). The 75-word abbreviated bond measure presented at the Bond Election was:

> *"To build new science labs, modernize aging schools, improve safety, energy efficiency, and classroom computers and technology, replace older portable classrooms, renovate athletic fields, improve traffic safety and construct, replace and renovate school facilities, shall the San Lorenzo Unified School District be authorized to issue $83,000,000 in bonds at interest rates within the legal limit with no funds for administrator salaries and an appointed Independent Oversight Committee to monitor all bond expenditures?"*

Pursuant to the 2008 Authorization, the District has issued the following three series of general obligation bonds for the purpose of financing projects described in the 2008 Authorization:

- $26,000,000 aggregate principal amount of General Obligation Bonds, 2008 Election, Series A, issued on May 21, 2009, with a final maturity date of August 1, 2033 (the **"2008A Bonds"**);

- $27,725,000 aggregate principal amount of General Obligation Bonds, 2008 Election, Series B, issued on April 28, 2011, with a final maturity date of August 1, 2041 (the **"2008B Bonds"**); and

- $11,500,000 aggregate principal amount of General Obligation Bonds, Election of 2008, Series C, issued on June 5, 2013, with a final maturity date of August 1, 2041 (the **"2008C Bonds"**).

Of the 2008 Authorization, $17,775,000 principal amount remains authorized but unissued, prior to the issuance of the Series D Bonds. Upon issuance, the Series D Bonds will represent the fourth series of bonds issues pursuant to the 2008 Bond Authorization. In addition to bonds issued pursuant to the 2008 Authorization, the District has other general obligation bonds and refunding bonds, similarly secured by *ad valorem* taxes levied and collected in the District. See "DEBT SERVICE SCHEDUULES" and "APPENDIX B - DISTRICT FINANCIAL INFORMATION - Long-Term Borrowing."

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Series D Bonds are as follows:

Sources of Funds	
Principal Amount of Bonds	
Net Original Issue Premium	
Total Sources	
Uses of Funds	
Deposit to Building Fund	
Debt Service Fund	
Costs of Issuance*	
Total Uses	

**All estimated costs of issuance including, but not limited to, Purchaser's discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the financial advisor and the rating agencies.*

THE SERIES D BONDS

Authority for Issuance

The Series D Bonds will be issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 of the Government Code and the Bond Resolution.

Description of the Series D Bonds

Book-Entry Form. The Series D Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"). Purchasers of the Series D Bonds (the "**Beneficial Owners**") will not receive physical certificates representing their interest in the Series D Bonds. Payments of principal of and interest on the Series D Bonds will be paid by U.S. Bank Trust National Association, San Francisco, California (the "**Paying Agent**") to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Series D Bonds.

As long as DTC's book-entry method is used for the Series D 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 Series D Bonds called for prepayment or of any other action premised on such notice. See "APPENDIX F – Book-Entry Only System."

The Paying Agent, the District, and the Purchasers of the Series D Bonds 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 Series D Bonds.

Principal and Interest Payments. The Series D Bonds will be dated the Dated Date and will bear interest payable semiannually each February 1 and August 1 (each, an "**Interest Payment Date**"), commencing February 1, 2015, at the interest rates shown on the inside front cover page of this Official Statement. The Series D Bonds will mature on August 1 in each of the years and in the principal amounts shown on the inside front cover page of this Official Statement. Interest on the Series D Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Series D Bond authenticated on or before January 15, 2015, shall bear interest from the date of the Series D Bonds. Each Series D Bond authenticated during the period between the 15th day of the month preceding any Interest Payment Date (each, a "**Record Date**") and that Interest Payment Date shall bear interest from that Interest Payment Date. Any other Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication. If an Interest Payment Date does not fall on a business day, the interest, principal or redemption payment due on such Interest Payment Date will be paid on the next business day. The Series D Bonds will be issued in the denomination of $5,000 principal amount each or any integral multiple thereof.

See the maturity schedule on the inside cover page of this Official Statement and "DEBT SERVICE SCHEDULES" herein.

Redemption

Optional Redemption. The Series D Bonds maturing on or before August 1, 2024 are not subject to redemption prior to their respective stated maturities. The Series D Bonds maturing on or after August 1, 2025 are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as designated by the District and by lot within a maturity, from any available source of funds, on August 1, 2024 and on any date thereafter, at a redemption price equal to 100% of the principal amount of the Series D Bonds to be redeemed together with accrued interest thereon to the redemption date, without premium.

Selection of Bonds for Redemption. Whenever less than all of the outstanding Bonds of any one maturity are designated for redemption, the Paying Agent will select the outstanding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Series D Bond will be deemed to consist of individual Bonds of $5,000 denominations each, which may be separately redeemed.

Notice of Redemption. The Paying Agent will cause notice of any redemption to be mailed, by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Municipal Securities Rulemaking Board and to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books; but such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Series D Bonds.

The redemption notice will state the redemption date and the redemption price and, if less than all of the then outstanding Bonds are to be called for redemption, will designate the Series D Bonds to be redeemed, and will require that any redeemed Bonds be surrendered at the Principal Office of the Paying Agent for redemption, giving notice that further interest on such Series D Bonds will not accrue from and after the redemption date.

Partial Redemption. Upon surrender of Bonds redeemed in part only, the District will execute and the Paying Agent will authenticate and deliver to the owner, at the expense of the

District, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Series D Bond or Series D Bonds.

Effect of Redemption. From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Series D Bonds so called for redemption have been duly provided, such Series D Bonds so called will cease to be entitled to any benefit under the Bond Resolution, other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

Right to Rescind Notice of Redemption. The District has the right to rescind any notice of the optional redemption of Bonds by written notice to the Paying Agent on or prior to the dated fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Series D Bonds then called for redemption. The District and the Paying Agent shall have no liability to the Series D Bond owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent, except that the time period for giving the original notice of redemption shall not apply to any notice of rescission thereof.

Registration, Transfer and Exchange of Bonds

If the book-entry system as described above and in Appendix F is no longer used with respect to the Series D Bonds, the following provisions will govern the registration, transfer, and exchange of the Series D Bonds.

Registration Books. The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Series D Bonds (the "**Registration Books**"), which will 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, the Series D Bonds.

Transfer. Any Series D Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series D Bond for cancellation at the principal office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

Whenever any Series D Bond or Bonds are surrendered for transfer, the District will execute and the Paying Agent will authenticate and deliver a new Series D Bond or Bonds, for like aggregate principal amount. No transfers will be required to be made (a) 15 days prior to a date established for selection of Series D Bonds for redemption and (b) with respect to a Series D Bond that has been selected for redemption.

Exchange. Series D 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 District may charge a reasonable sum for each new Bond issued upon any exchange. No exchanges will be required to be made (a) 15 days prior to a date established for selection of Series D Bonds for redemption and (b) with respect to a Series D Bond that has been selected for redemption.

Defeasance

The Series D Bonds may be paid by the District, in whole or in part, in any one or more of the following ways:

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

(b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the applicable Bond Resolution) to pay or redeem such Series D Bonds; or

(c) by delivering such Series D Bonds to the Paying Agent for cancellation by it.

Whenever in the Bond Resolution 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 be held by the Paying Agent or by any other fiduciary. Such money or securities may include money or securities held by the Paying Agent in the funds and accounts established under the Bond Resolution and will be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Series D Bonds and all unpaid interest thereon to maturity, except that, in the case of Series D Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Series D 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 Series D Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Series D Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Bond Resolution or provision satisfactory to the Paying Agent has been made for the giving of such notice.

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described above) to pay or redeem any outstanding Series D Bond (whether upon or prior to its maturity or the redemption date of such Series D Bond), then all liability of the County and the District in respect of such Series D Bond will cease and be completely discharged, except only that thereafter the owner thereof will be entitled only to payment of the principal of and interest on such Series D Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent for such payment.

As used in the foregoing provisions, the term **"Federal Securities"** means United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

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DEBT SERVICE SCHEDULES

The following table shows the semi-annual debt service schedule with respect to the Series D Bonds (assuming no optional redemptions).

SAN LORENZO UNIFIED SCHOOL DISTRICT
Debt Service Schedule
General Obligation Bonds, Election of 2008, Series D

Date	Principal	Interest	Semi-Annual Total	Annual Total
2/1/15				
8/1/15				
2/1/16				
8/1/16				
2/1/17				
8/1/17				
2/1/18				
8/1/18				
2/1/19				
8/1/19				
2/1/20				
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2/1/30				
8/1/30				
2/1/31				
8/1/31				
2/1/32				
8/1/32				
2/1/33				
8/1/33				
2/1/34				
8/1/34				
2/1/35				
8/1/35				
2/1/36				
8/1/36				
Total				

Combined General Obligation Bonds Debt Service. The following table shows the combined debt service schedule with respect to all outstanding general obligation bonds and refunding bonds of the District, together with the Series D Bonds. See Appendix B – "District General and Financial Information – Long-Term Debt" for additional information.

SAN LORENZO UNIFIED SCHOOL DISTRICT
Combined Debt Service Schedule

Period Ending (Aug. 1)	Election of 2004, Series B	2008 Election, Series A Bonds	2008 Election, Series B Bonds	2008 Election, Series C Bonds	2013 Refunding Bonds	2008 Election, Series D Bonds	Aggregate Annual Debt Service
2015	$1,560,737.50	$1,552,750.00	$1,751,405.00	$488,175.00	$967,037.50		
2016	1,567,537.50	1,501,550.00	2,000,405.00	488,175.00	897,037.50		
2017	1,573,537.50	1,816,550.00	1,628,205.00	488,175.00	1,118,687.50		
2018	1,583,737.50	1,818,150.00	1,662,805.00	488,175.00	1,243,287.50		
2019	1,582,937.50	1,813,350.00	1,803,805.00	488,175.00	1,288,537.50		
2020	1,586,537.50	1,812,350.00	1,887,405.00	488,175.00	1,391,687.50		
2021	1,588,907.50	1,814,950.00	2,009,905.00	488,175.00	1,395,937.50		
2022	1,589,782.50	1,814,000.00	1,993,030.00	488,175.00	1,394,137.50		
2023	1,589,807.50	1,808,250.00	2,046,430.00	488,175.00	1,396,437.50		
2024	1,588,737.50	1,800,250.00	2,026,180.00	488,175.00	1,397,687.50		
2025	1,596,807.50	1,800,000.00	2,051,580.00	488,175.00	1,392,887.50		
2026	1,593,182.50	1,797,000.00	2,108,405.00	488,175.00	1,392,187.50		
2027	1,598,682.50	1,796,250.00	2,116,942.50	488,175.00	1,390,437.50		
2028	1,597,722.50	1,797,500.00	2,074,942.50	488,175.00	1,394,487.50		
2029	1,605,662.50	1,795,500.00	2,121,747.50	488,175.00	1,392,075.00		
2030	3,002,062.50	1,800,250.00	2,083,447.50	488,175.00	-		
2031	3,010,762.50	1,801,250.00	2,088,060.00	488,175.00	-		
2032	3,012,450.00	1,808,500.00	2,103,128.76	488,175.00	-		
2033	3,014,150.00	1,816,500.00	2,093,868.76	488,175.00	-		
2034	3,010,625.00	-	2,115,393.76	1,688,175.00	-		
2035	3,011,875.00	-	2,125,300.00	1,708,175.00	-		
2036	3,017,425.00	-	2,138,650.00	1,714,175.00	-		
2037	3,016,800.00	-	2,161,537.50	1,706,800.00	-		
2038	-	-	2,133,100.00	1,725,800.00	-		
2039	-	-	2,131,700.00	1,726,800.00	-		
2040	-	-	2,119,300.00	1,735,400.00	-		
2041	-	-	2,141,200.00	1,721,200.00	-		
TOTAL	$47,900,467.50	$33,764,900.00	$54,717,878.78	$23,001,850.00	$19,452,550.00		

SECURITY FOR THE SERIES D BONDS

Ad Valorem Taxes

***Bonds Payable from Ad Valorem Property Taxes*.** The Series D Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Series D Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates).

Other Bonds Payable from Ad Valorem Property Taxes. The District has previously issued other general obligation bonds, which are payable from *ad valorem* taxes on a parity basis.

In addition to the general obligation bonds issued by the District, there is other debt issued by entities with jurisdiction in the District, which is payable from *ad valorem* taxes levied on parcels in the District. See "PROPERTY TAXATION – Direct and Overlapping Debt" below.

Levy and Collection. The County will levy and collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into a debt service fund for the Series D Bonds, which is maintained by the County and which is irrevocably pledged for the payment of principal of and interest on the Series D Bonds when due.

District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property. See "-Teeter Plan; Property Tax Collections" below.

Annual Tax Rates. The amount of the annual *ad valorem* tax levied by the County to repay the Series D 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 Series D Bonds. Fluctuations in the annual debt service on the Series D 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 economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate.

Debt Service Fund

The County will establish a Debt Service Fund (the **"Debt Service Fund"**) for the Series D Bonds, which will be distinct from all other funds of the County. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Series D Bonds will be deposited in the Debt Service Fund by the County promptly upon the receipt. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Series D Bonds when and as the same become due. The District will transfer amounts in the Debt

Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Series D Bonds as the same becomes due and payable.

If, after payment in full of the Series D Bonds any amounts remain on deposit in the Debt Service Fund, the District shall transfer such amounts to its General Fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

Not a County Obligation

The Series D Bonds are payable solely from the proceeds of an *ad valorem* tax levied and collected by the County, for the payment of principal and interest on the Series D Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Series D Bonds, the Series D Bonds are not a debt of the County.

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing (1) state assessed public utilities' property and (2) property the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per

month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization ("**SBE**") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property", a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Historic Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization, as described above. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. For a discussion of how properties currently are assessed, see Appendix B under the heading "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. No reimbursement is made by the State for such exemptions.

The following table sets forth the recent history of the assessed valuation of property in the District.

SAN LORENZO UNIFIED SCHOOL DISTRICT
Assessed Valuations
Fiscal Years 2004-05 through 2014-15

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2004-05	$4,597,733,231	$1,770,470	$252,205,829	$4,851,709,530	--
2005-06	5,072,353,897	1,676,785	253,691,763	5,327,722,445	9.8
2006-07	5,628,972,576	1,445,690	226,648,184	5,857,066,450	9.9
2007-08	6,087,363,910	377,203	242,394,577	6,330,135,690	8.1
2008-09	6,200,187,324	377,203	276,528,209	6,477,092,736	2.3
2009-10	5,760,564,325	377,203	312,065,505	6,073,007,033	(6.2)
2010-11	5,725,662,144	382,150	286,447,491	6,012,491,785	(1.0)
2011-12	5,695,273,280	382,150	277,458,543	5,973,113,973	(0.6)
2012-13	5,728,087,328	382,150	292,078,673	6,020,548,151	0.8
2013-14	6,029,491,478	382,150	305,517,340	6,335,390,968	5.2
2014-15	6,445,651,690	296,610	319,825,673	6,765,773,973	6.8

Source: California Municipal Statistics, Inc.

Assessed Value by Jurisdiction

The following table shows the assessed value of the District by jurisdiction.

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Hayward	$1,098,870,143	16.24%	$17,496,672,655	6.28%
City of San Leandro	1,501,958,977	22.20	$10,524,398,911	14.27%
Unincorporated Alameda County	4,164,944,853	61.56	$15,657,767,126	26.60%
Total District	$6,765,773,973	100.00%		
Alameda County	$6,765,773,973	100.00%	$220,488,569,845	3.07%

(1) Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics, Inc.

Parcels by Land Use

The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for fiscal year 2014-15.

SAN LORENZO UNIFIED SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2014-15

Non-Residential:	2014-15 Assessed Valuation[(1)]	% of Total	No. of Parcels	% of Total
Commercial	$ 369,266,532	5.73%	575	2.92%
Vacant Commercial	22,376,177	0.35	76	0.39
Industrial	856,739,330	13.29	468	2.37
Vacant Industrial	43,945,442	0.68	70	0.36
Recreational	4,062,344	0.06	23	0.12
Government/Social/Institutional	21,107,641	0.33	84	0.43
Subtotal Non-Residential	$1,317,497,466	20.44%	1,296	6.58%
Residential:				
Single Family Residence	$4,071,556,308	63.17%	16,055	81.46%
Condominium/Townhouse	262,332,690	4.07	1,025	5.20
Mobile Home	2,417,132	0.04	58	0.29
Mobile Home Park	17,405,982	0.27	19	0.10
2-4 Residential Units	251,894,418	3.91	598	3.03
5+ Residential Units/Apartments	500,216,231	7.76	325	1.65
Vacant Residential	22,331,463	0.35	333	1.69
Subtotal Residential	$5,128,154,224	79.56%	18,413	93.42%
Total	$6,445,651,690	100.00%	19,709	100.00%

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

Per Parcel Assessed Valuation of Single-Family Homes

The following table sets forth the per parcel assessed valuation of single-family homes in fiscal year 2014-15.

SAN LORENZO UNIFIED SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single-Family Homes
Fiscal Year 2014-15

	No. of Parcels	2014-15 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	16,055	$4,071,556,308	$253,601	$256,157

2014-15 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	46	0.287%	0.287%	$ 590,482	0.015%	0.015%
$25,000 - $49,999	215	1.339	1.626	9,407,718	0.231	0.246
$50,000 - $74,999	2,395	14.917	16.543	149,150,446	3.663	3.909
$75,000 - $99,999	721	4.491	21.034	61,863,083	1.519	5.428
$100,000 - $124,999	485	3.021	24.055	54,391,386	1.336	6.764
$125,000 - $149,999	496	3.089	27.144	68,421,749	1.680	8.445
$150,000 - $174,999	536	3.339	30.483	86,967,876	2.136	10.581
$175,000 - $199,999	688	4.285	34.768	129,249,325	3.174	13.755
$200,000 - $224,999	973	6.060	40.828	206,895,189	5.081	18.836
$225,000 - $249,999	1,141	7.107	47.935	270,145,574	6.635	25.471
$250,000 - $274,999	1,115	6.945	54.880	292,440,467	7.183	32.654
$275,000 - $299,999	981	6.110	60.990	281,394,007	6.911	39.565
$300,000 - $324,999	921	5.737	66.727	287,223,483	7.054	46.620
$325,000 - $349,999	889	5.537	72.264	299,493,617	7.356	53.975
$350,000 - $374,999	916	5.705	77.969	331,351,339	8.138	62.113
$375,000 - $399,999	990	6.166	84.136	383,133,684	9.410	71.523
$400,000 - $424,999	881	5.487	89.623	362,031,780	8.892	80.415
$425,000 - $449,999	580	3.613	93.236	252,708,532	6.207	86.622
$450,000 - $474,999	460	2.865	96.101	211,230,907	5.188	91.810
$475,000 - $499,999	238	1.482	97.583	115,374,735	2.834	94.644
$500,000 and greater	388	2.417	100.000	218,090,929	5.356	100.000
	16,055	100.000%		$4,071,556,308	100.000%	

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

Appeals of Assessed Value

There are two types of appeals of assessed values that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" in Appendix B.

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 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. Proposition 8 reductions may also be unilaterally applied by the County Assessor.

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. These reductions are subject to yearly reappraisals and are 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" in Appendix B.

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

The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Series D Bonds to increase accordingly, so that the fixed debt service on the Series D Bonds (and other outstanding general obligation bonds, if any) may be paid.

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Tax Levies and Delinquencies

The following table shows secured tax charges and delinquencies for secured property in the District with respect to the District's levy for debt service on outstanding general obligation bonds and for the 1% general fund apportionment. Secured property taxes not relating to the one percent General Fund apportionment (which is provided for under the County's Teeter Plan described below) which are collected by the County are allocated to political subdivisions for which the County acts as tax-levying or tax-collecting agency, including the District, when the secured property taxes are actually collected. Figures for fiscal year 2013-14 are not yet available.

SAN LORENZO UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2007-08 through 2012-13

	Secured Tax Charge (1)	Amt. Del. June 30	% Del. June 30
2007-08	$8,663,734	$527,317	6.09%
2008-09	8,814,101	528,604	6.00
2009-10	8,433,480	339,381	4.02
2010-11	8,427,279	257,630	3.06
2011-12	8,416,189	215,929	2.57
2012-13	8,484,697	153,783	1.81

	Secured Tax Charge (2)	Amt. Del. June 30	% Del. June 30
2007-08	$2,128,972	$152,850	7.18%
2008-09	2,820,896	157,743	5.59
2009-10	4,918,450	155,462	3.16
2010-11	6,506,613	144,646	2.22
2011-12	4,921,848	95,119	1.93
2012-13	6,260,064	92,347	1.48

(1) 1% General Fund apportionment.
(2) District's general obligation bond debt service levy.
Source: California Municipal Statistics, Inc.

For the District's share of the one percent general fund apportionment, the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the **"Teeter Plan"**) as provided for in the State Revenue and Taxation Code, which requires the County to pay 100% of such secured property taxes due to local agencies in the fiscal year such taxes are due. Pursuant to these provisions, each county operating under the Teeter Plan establishes a delinquency reserve and assumes responsibility for all secured delinquencies, assuming that certain conditions are met.

Because of this method of tax collection, the K-12 districts located in counties operating under the Teeter Plan and participating in the Teeter Plan are assured of 100% collection of their secured tax levies for the one percent general fund apportionment if the conditions established under the applicable county's Teeter Plan are met. However, such districts are no longer entitled to share in any penalties due to delinquent payments. This method of tax collection and distribution is subject to future discontinuance at the County's option or if demanded by the participating taxing agencies.

Because the County does not participate in the Teeter Plan with respect to tax levies for debt service, secured property taxes actually collected for such purpose are allocated to political

subdivisions for which the County acts as tax-levying or tax-collecting agency, including the District, when such secured property taxes are actually collected.

Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in Tax Rate Area 80-129 (a typical tax rate area in the District) for fiscal years 2010-11 through 2014-15. The 2014-15 assessed valuation of TRA 80-129 is $914,640,291, or approximately 13.5% of the total assessed valuation of the District.

SAN LORENZO UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates per $100 of Assessed Valuation (TRA 80-129)

	2010-11	2011-12	2012-13	2013-14	2014-15
General	1.0000	1.0000	1.0000	1.0000	1.0000
Chabot-Las Positas Community College District	.0211	.0214	.0219	.0214	.0217
San Lorenzo Unified School District	.1158	.0879	.1110	.0992	.0992
East Bay Regional Park	.0084	.0071	.0051	.0078	.0085
Bay Area Rapid Transit District	.0031	.0041	.0043	.0075	.0045
	1.1484	1.1205	1.1423	1.1359	1.1339

Source: California Municipal Statistics Inc.

Top Twenty Secured Property Taxpayers

General. The twenty taxpayers in the District with the greatest combined assessed valuation of taxable property on the fiscal year 2014-15 tax roll, and the assessed valuations thereof, are shown below.

The more property (by assessed value) which is owned by a single taxpayer in the District, the greater amount of tax collections are exposed to weaknesses in the taxpayer's financial situation and ability or willingness to pay property taxes. Each taxpayer listed below is a unique name listed on the tax rolls. 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 below.

SAN LORENZO UNIFIED SCHOOL DISTRICT
Top Twenty Local Secured Property Taxpayers
Fiscal Year 2014-15

	Property Owner	Primary Land Use	2014-15 Assessed Valuation	% of Total(1)
1.	SCI Limited Partnership I	Industrial	$80,129,349	1.24%
2.	Winton Industrial Center Inc.	Industrial	50,687,977	0.79
3.	Target Corporation	Commercial	31,994,530	0.50
4.	Hayward Corporate Center LLC	Industrial	26,619,797	0.41
5.	WRI Greenhouse LP	Shopping Center	22,550,254	0.35
6.	Sara Lee Corporation	Industrial	21,590,957	0.33
7.	Santini Foods Inc	Industrial	19,968,615	0.31
8.	AFP San Lorenzo LLC	Industrial	18,919,247	0.29
9.	EKC Technology Inc.	Industrial	18,807,453	0.29
10.	PSB Northern California Industrial Portfolio	Industrial	18,614,964	0.29
11.	Azuma Foods International Inc., USA	Industrial	17,899,401	0.28
12.	St. Paul Fire & Marine Insurance Company	Industrial	17,689,775	0.27
13.	Cabot Investment LLC	Industrial	17,378,542	0.27
14.	BDC Sky West LP	Commercial	17,154,285	0.27
15.	Willows Fargo Inc.	Residential Properties	16,652,486	0.26
16.	David D. Bohannon Organization	Shopping Center	15,986,715	0.25
17.	1900 West Winton LP	Industrial	15,378,101	0.24
18.	AMB Hathaway LLC	Industrial	15,162,671	0.24
19.	Cypress Hospitality LLC & Cornerstone	Hotel	14,000,000	0.22
20.	John Evilsizor Trust	Apartments	13,985,712	0.22
Total			$471,170,831	7.31

(1) 2014-15 Local Secured Assessed Valuation: $6,445,651,690.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and dated October 1, 2014. 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.

SAN LORENZO UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of October 1, 2014

2014-15 Assessed Valuation: $6,765,773,973

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 10/1/14
Bay Area Rapid Transit District	1.205%	$ 7,601,080
Chabot-Las Positas Community College District	6.926	29,520,416
San Lorenzo Unified School District	**100.000**	**101,825,000**[2]
East Bay Regional Park District	1.861	3,304,671
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$142,251,167
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Alameda County General Fund Obligations	3.045%	$27,216,195
Alameda County Pension Obligations	3.045	2,673,127
Alameda-Contra Costa Transit District Certificates of Participation	3.606	893,927
San Lorenzo Unified School District Certificates of Participation	**100.000**	**8,735,000**
City of Hayward General Fund Obligations	6.390	1,437,111
City of San Leandro General Fund and Pension Obligation Bonds	13.149	6,153,732
Hayward Area Recreation and Park District Certificates of Participation	17.322	2,860,728
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$49,969,820
OVERLAPPING TAX INCREMENT DEBT:		$24,102,805
COMBINED TOTAL DEBT		$216,323,792[3]

(1) Based on 2013-14 ratios.
(2) Excludes general obligation bonds to be sold.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:

Direct Debt ($101,825,000)	**1.51%**
Total Direct and Overlapping Tax and Assessment Debt	2.10%
Combined Direct Debt ($110,560,000)	**1.63%**
Combined Total Debt	3.20%

Ratios to Redevelopment Incremental Valuation ($1,636,102,984):

Total Overlapping Tax Increment Debt	1.47%

Source: California Municipal Statistics, Inc.

CONTINUING DISCLOSURE

The District will execute a Continuing Disclosure Certificate in connection with the issuance of the Series D Bonds in the form attached hereto as Appendix E. The District has covenanted therein, for the benefit of holders and beneficial owners of the Series D Bonds to provide certain financial information and operating data relating to the District (an **"Annual Report"**) to the Municipal Securities Rulemaking Board not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing March 31, 2015 with the report for the 2013-14 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Purchasers of the Series D Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the **"Rule"**).

The District has existing disclosure undertakings that have been made pursuant to the Rule in connection with the issuance of other outstanding general obligation bonds and certificates of participation. See Appendix B under the heading "FINANCIAL INFORMATION – Long-Term Debt." Specific instances of non-compliance in the previous five years are: (i) audited financial statements for the year ending June 30, 2009 were filed twelve months late according to records available on the Electronic Municipal Market Access (**"EMMA"**), (ii) audited financial statements for the year ending June 30, 2012 were filed five weeks late according to records available on EMMA, (iii) supplemental reports containing required financial and operating data but not contained in the audited financial statements were not filed in each of the previous five years or in certain instances was filed but not timely, and (iv) notices of widely-known rating changes for bond insurers which insure some of the District's obligations were filed but not timely. Identification of the foregoing instances of non-compliance shall not be construed as a representation that such instances are material.

In order to assist it in ensuring timely and complete filings in the future, the District has engaged its Financial Advisor, Public Financial Management, to serve as its dissemination agent.

CERTAIN LEGAL MATTERS

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Series D Bonds, and a certificate to that effect, executed by an authorized officer of the District, will be furnished to purchasers at the time of the original delivery of the Series D Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive *ad valorem* taxes or to collect other revenues or (iii) contests the District's ability to issue and retire the Series D Bonds.

Legal Opinion

The proceedings in connection with the issuance of the Series D Bonds are subject to the approval as to their legality of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel for the District (**"Bond Counsel"**). The opinion of Bond Counsel with respect to the Series D Bonds will be delivered in substantially the form attached hereto as Appendix D. Certain legal matters will also be passed upon for the District by Jones Hall as Disclosure Counsel (**"Disclosure Counsel"**). The fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Series D Bonds.

TAX MATTERS

Tax Exemption

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Series D Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. The Series D Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986 (the "**Tax Code**") such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80 percent of that portion of such financial institution's interest expense allocable to interest payable on the Series D Bonds.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Series D Bonds. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series D Bonds. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Series D Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a Series D Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes **"original issue discount"** for purposes of federal income taxes and State of California personal income taxes. If the initial

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

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

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

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

Form of Opinion. Copies of the proposed form of opinion of Bond Counsel are attached hereto as Appendix D.

Other Tax Considerations

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

Future legislation, if enacted into law, or clarification of the Tax Code may cause interest on the Series D Bonds to be subject to, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Series D Bonds from realizing the full current benefit of the tax status of

such interest. The introduction or enactment of any such future legislation or clarification of the Tax Code may also affect the market price for, or marketability of, the Series D Bonds. Prospective purchasers of the Series D Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

RATINGS

Moody's Investors Services (**"Moody's"**) and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**") have assigned ratings of "Aa3" and "A+," respectively, to the Series D Bonds. The District has provided certain additional information and materials to Moody's andπ S&P (some of which does not appear in this Official Statement). Such ratings reflect only the views of Moody's and S&P, and an explanation of the significance of such ratings and outlooks may be obtained only from Moody's and S&P. There is no assurance that any credit ratings given to the Series D Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by Moody's or S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series D Bonds.

COMPETITIVE SALE OF BONDS

The Series D Bonds were sold pursuant to a competitive bidding process on November 5, 2014 pursuant to the terms set forth in an Official Notice of Sale (the "**Official Notice of Sale**") for the Series D Bonds.

The Series D Bonds were awarded to _____ (the "**Bond Purchaser**"), whose proposal represented the lowest true interest cost for the Series D Bonds as determined in accordance with the Official Notice of Sale. The Bond Purchaser has agreed to purchase the Series D Bonds at a price of $_____, which is equal to the initial principal amount of the Series D Bonds of $_____ plus an original issue premium of $_____, less a Purchaser's discount of $_____. The Bond Purchaser intends to offer the Series D Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Bond Purchaser may offer and sell to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering price may be changed from time to time by the Bond Purchaser.

ADDITIONAL INFORMATION

The discussions herein about the Bond Resolution and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of these documents mentioned are available from the District and following delivery of the Series D Bonds will be on file at the offices of the Paying Agent in San Francisco, California.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of

such documents are available upon written request to the District. The District may impose charges for copying, mailing and handling.

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

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

SAN LORENZO UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2013

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SAN LORENZO UNIFIED SCHOOL DISTRICT

San Lorenzo, California

FINANCIAL STATEMENTS

June 30, 2013

SAN LORENZO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2013

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SAN LORENZO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2013

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Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
San Lorenzo Unified School District
San Lorenzo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Lorenzo Unified School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise San Lorenzo Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Lorenzo Unified School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cashflows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." The provisions of this Statement are effective for San Lorenzo Unified School District's fiscal year ended June 30, 2014, with earlier application being encouraged. San Lorenzo Unified School District has implemented this Statement retroactively for the year ended June 30, 2013 resulting in restated net position at July 1, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 9 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and Schedule of Other Postemployment Benefits (OPEB) Funding Progress on pages 47 and 48 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise San Lorenzo Unified School District's financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards and other supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information, except for the Schedule of Financial Trends and Analysis, 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 schedule of expenditures of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013 on our consideration of San Lorenzo Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Lorenzo Unified School District's internal control over financial reporting and compliance.

Crowe Horwath LLP

Sacramento, California
December 11, 2013

Management's Discussion and Analysis for Fiscal Year Ended June 30, 2013

Management's Discussion and Analysis (MDA) of San Lorenzo Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013.

Description of Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand San Lorenzo Unified School District's finance as a whole. The statements also provide a detailed look at specific financial activities. Please read the MDA in conjunction with the Independent Auditor's Report, notes to the basic financial statements, and the District's financial statements.

The Statement of Net Position and Statement of Activities provide information about the activities of the District as a whole. They present an aggregate view of the District's finances as well as a longer term view of those finances. For governmental funds, these statements tell how services were financed in the short-term and what assets remain for future use.

This annual report consists of three parts: (1) Management's Discussion and Analysis (this section); (2) the financial statements; and (3) required supplementary information. The financial statements include two kinds of statements that present different views of the San Lorenzo Unified School District.

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the District and report the District's operations in more detail than the district wide statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. The remainder of the Management's Discussion and Analysis highlights the structure and contents of each of the statements.

The district-wide statements report information about the District as a whole. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and liabilities as a measure of the District's financial position.

In the district-wide financial statements the District's activities are divided into two categories:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation, and administration. State support from revenue limit funding and categorical apportionments finance most of these activities.

- Business-type activities – The District does not currently have any business type activities.

Reporting the District's Most Significant Funds

Fund Financial Statements: Fund financial reports provide information on the District's major Funds. The District uses Funds to account for all financial transactions. The District's Funds include: General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Fund. Special Revenue Funds include: Adult Education Fund, Child Development Fund, Cafeteria Fund, Deferred Maintenance Fund and Capital Projects Funds include: Building Fund, Capital Facilities Fund, County School Facilities Fund and Special Reserve for Capital Outlay Projects Fund. The District's major funds are the General Fund, Building Fund, Special Reserve for Capital Outlay Projects and Debt Service Fund. The balances and activity of the Special Reserve for Other Than Capital Outlay Projects Fund and Special Reserve Fund for Postemployment Benefits are included with the General Fund for financial reporting purposes.

Governmental Fund: District activities are reported in the Governmental Fund. It focuses on how money flows in and out of the District as well as balances at year-end. These funds are reported using the modified accrual accounting method, which measures cash and other financial assets that can readily be converted to cash. The Governmental Funds statements provide a short-term view of the District's general operations and the basic services it provides. The differences between Governmental Activities (reporting in the *Statement of Net Position and Statement of Activities)* and Governmental Funds are reconciled in the basic financial statements.

Proprietary Fund: Services for which the District charges a fee are generally reported in proprietary funds. Districts may choose to operate the Cafeteria Fund as a proprietary fund; however, San Lorenzo Unified School District operates the Cafeteria Fund as a Governmental Fund. The District operates a self-insurance fund as a proprietary fund.

Reporting the District's Most Significant Funds (continued)

Fiduciary Funds: The District is the trustee, or *fiduciary*, for assets that belong to others, such as the student body funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of change in fiduciary net assets. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

Table 1
Net Position Comparison to Prior Year (In Millions)

	Governmental Activities 2012	Governmental Activities 2013	Variance
ASSETS			
Current Assets	$77.45	$77.62	$0.17
Capital Assets	$118.25	$133.11	$14.86
Total Assets	**$195.70**	**$210.73**	**$15.03**
LIABILITIES			
Long-Term Liabilities	$123.11	$134.66	$11.55
Other Liabilities	$9.90	$11.51	$1.61
Total Liabilities	**$133.01**	**$146.17**	**$13.16**
NET POSITION			
Net investment in Capital Assets	$13.12	$36.01	$22.89
Restricted	$44.09	$22.92	-$21.17
Unrestricted	$5.47	$5.63	$.16
Total Net Position	**$62.68**	**$64.56**	**$1.88**

Table 2
Statement of Activities Comparison to Prior Year (In Millions)

	Governmental Activities 2011-12	Governmental Activities 2012-13	Variance
Net Expense			
Instruction	-$43.667	-$43.397	$0.270
Instruction-related	-$7.751	-$7.833	-$0.082
Pupil services	-$3.350	-$2.206	$1.144
General administration & data processing	-$4.556	-$5.642	-$1.086
Plant services	-$12.937	-$13.603	-$0.666
Ancillary, community services & interest	-$6.311	-$6.077	$0.234
Other outgo	$0.347	$0.113	-$0.234
Total	**-$78.225**	**-$78.645**	**-$0.420**
General Revenues			
Taxes - general purpose	$16.162	$20.916	$4.754
Taxes – other	$6.211	$8.518	$2.307
Federal and state aid	$53.219	$49.053	-$4.166
Interest and investment earnings	$0.091	$0.071	-$0.020
Interagency revenues	$0.774	$0.621	-$0.153
Miscellaneous	$2.131	$1.937	-$0.194
Total General Revenues	**$78.588**	**$81.116**	**$2.528**
Change in net position	**$0.363**	**$2.471**	**$2.108**
Net position, beginning as restated	$62.316	$62.087	-$0.229
Net position, ending	**$62.679**	**$64.558**	**$1.879**

Analysis of Balances of Individual Funds

The District ended the 2012-2013 fiscal year with a reserve for economic uncertainties that was above the 3% level normally required by the State. Due to continued uncertainty with State funding, the District Governing Board approved an increase in the required reserve to 6%. The District continues to be vigilant in maintaining a reserve level that is at or above the requirement by the State and the Governing Board. Each Fund of the District ended the 2012-2013 fiscal year with a positive balance.

Analysis of Budget

The District's budget is prepared based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

For the General Fund reserve (including the Special Reserve for Other Than Capital Outlay Projects and Special Reserve for Other Postemployment Benefits) increased by $1.5 million to $19.1 million in 2012-13.

Significant Activity of Assets and Liabilities

Assets

Total assets include cash and other assets, such as receivables, that are likely to be converted to cash within one year as well as capital assets.

Total assets increased by $15.03 million, from $195.70 million to $210.73 million during the fiscal year ending June 30, 2013. The increase was largely due to increases in capital assets associated with improvement funded by the District's General Obligation Bond improvement program.

Liabilities

Liabilities include primarily payables for General Obligation Bonds, Certificates of Participation, QZAB, capital leases, compensated absences and other postemployment benefits.

Liabilities increased by $13.16 million from $133.01 million to $146.17 million during the fiscal year ending June 30, 2013. The increase was largely due to issuance of General Obligation Bonds.

District Highlights

Academic Performance Index (API)

The District growth on API shows that the District continues good progress toward meeting the State API target for growth.

Year	API Score	Growth
2005	674	13 points
2006	689	15 points
2007	698	4 points
2008	703	3 points
2009	724	21 points
2010	739	17points
2011	741	2 points
2012	749	11 Points
2013	739	-9 Points

Adequate Yearly Progress (AYP)

Adequate Yearly Progress (AYP) percent proficient targets continue to increase over time. For 2013, the target in ELA was 89% proficient or advanced, and in Math the target was 89.1% proficient or advanced. The district met twenty-two of the forty-four criteria. At the district level we did not meet the AYP targets in either ELA or Math for any subgroup or for the district as a whole.

Program Intervention

Interventions in ELA and math at various levels have been implemented for several years. The analysis of response to instruction and intervention data shows that at the K-3 level early attention to reading readiness has been successful in assuring greater numbers of students are reading on grade level by grade 3. Data analysis shows a continued pattern of increase performance for students in intervention, particularly when they are given additional access to grade level content standards in addition to the adopted intervention curriculum. Qualifying students at the secondary level grades 6-12 had the following program options for intervention: Scholastic 3D, Read 180, ELA & Mathematic Support Classes, Response to Intervention (Tier I Support), UCLA Mathematics, and Credit Recovery.

Contacting the School District's Financial Management

The financial report is designed to provide citizens, taxpayers, investors, and creditors with an overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Business Services, San Lorenzo Unified School District, 15510 Usher Street, San Lorenzo, CA 94580 or call 510-317-4641.

BASIC FINANCIAL STATEMENTS

SAN LORENZO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 58,348,408
Receivables	18,901,734
Stores inventory	366,929
Non-depreciable capital assets (Note 4)	17,931,726
Depreciable capital assets, net of accumulated depreciation (Note 4)	115,179,038
Total assets	210,727,835
LIABILITIES	
Accounts payable	11,465,701
Unearned revenue	41,832
Long-term liabilities (Note 5):	
Due within one year	13,295,000
Due after one year	121,367,190
Total liabilities	146,169,723
NET POSITION	
Net investment in capital assets	36,007,876
Restricted (Note 6)	22,919,038
Unrestricted	5,631,198
Total net position	$ 64,558,112

See accompanying notes to financial statements.

SAN LORENZO UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities (Note 4):					
Instruction	$ 55,147,980	$ 32,306	$ 11,711,948	$ 6,751	$ (43,396,975)
Instruction-related services:					
Supervision of instruction	2,029,167	2,292	986,519	-	(1,040,356)
Instructional library, media and technology	669,977	1,113	99,543	-	(569,321)
School site administration	6,380,667	1,129	156,246	-	(6,223,292)
Pupil services:					
Home-to-school transportation	1,633,367	34,897	620,471	-	(977,999)
Food services	4,376,896	1,537,099	3,398,991	-	559,194
All other pupil services	3,497,606	3,856	1,706,723	-	(1,787,027)
General administration:					
Data processing	946,126	-	-	-	(946,126)
All other general administration	5,753,139	69,811	987,613	-	(4,695,715)
Plant services	14,568,246	174,304	790,634	-	(13,603,308)
Ancillary services	341,010	7	32	-	(340,971)
Community services	36,409	-	-	-	(36,409)
Interest on long-term liabilities	5,699,787	-	-	-	(5,699,787)
Other outgo	2,108,304	539,914	1,681,427	-	113,037
Totals governmental activities	$ 103,188,681	$ 2,396,728	$ 22,140,147	$ 6,751	(78,645,055)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					20,916,047
Taxes levied for debt service					6,728,082
Taxes levied for other specific purposes					1,789,327
Federal and state aid not restricted to specific purposes					49,052,881
Interest and investment earnings					71,279
Interagency revenues					621,090
Miscellaneous					1,937,161
Total general revenues					81,115,867
Change in net position					2,470,812
Net position, July 1, 2012, as previously stated					62,678,820
Cumulative effect of change in accounting principle					(591,520)
Net position, July 1, 2012, as restated					62,087,300
Net position, June 30, 2013					$ 64,558,112

See accompanying notes to financial statements.

SAN LORENZO UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2013

	General Fund	Building Fund	Special Reserve for Capital Outlay Fund	Debt Service Fund	All Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and investments:						
Cash in County Treasury	$ 10,218,295	$ 20,142,457	$ 6,650,887	$ 20,450	$ 10,133,391	$ 47,165,480
Cash in revolving fund	35,000	-	-	-	-	35,000
Cash with Fiscal Agent	-	20,494	624,248	9,838,246	-	10,482,988
Local Agency Investment Fund	-	-	110,511	-	-	110,511
Receivables	14,525,676	9,146	11,244	-	1,073,185	15,619,251
Due from other funds	3,289,911	451,807	2,081,246	2,952	373	5,826,289
Stores inventory	220,476	-	-	-	146,453	366,929
Total assets	$ 28,289,358	$ 20,623,904	$ 9,478,136	$ 9,861,648	$ 11,353,402	$ 79,606,448
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 7,535,581	$ 1,433,842	$ 419	$ -	$ 628,172	$ 9,598,014
Unearned revenue	27,448	-	-	-	14,384	41,832
Due to other funds	1,579,812	-	4,906	450,013	510,931	2,545,662
Total liabilities	9,142,841	1,433,842	5,325	450,013	1,153,487	12,185,508
Fund balances:						
Nonspendable	255,476	-	-	-	146,453	401,929
Restricted	2,690,560	19,190,062	9,472,811	9,411,635	10,053,462	50,818,530
Assigned	1,694,508	-	-	-	-	1,694,508
Unassigned	14,505,973	-	-	-	-	14,505,973
Total fund balances	19,146,517	19,190,062	9,472,811	9,411,635	10,199,915	67,420,940
Total liabilities and fund balances	$ 28,289,358	$ 20,623,904	$ 9,478,136	$ 9,861,648	$ 11,353,402	$ 79,606,448

See accompanying notes to financial statements.

SAN LORENZO UNIFIED SCHOOL DISTRICT

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

June 30, 2013

Total fund balances - Governmental Funds		$ 67,420,940
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $191,560,549 and the accumulated depreciation is $58,449,785 (Note 4).		133,110,764
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 June 30, 2013 consisted of (Note 5):		
General Obligation Bonds	$ (105,515,000)	
Unamortized GO Bond premiums	(1,278,833)	
Certificates of Participation	(8,980,000)	
Qualified Zone Academy Bond (QZAB)	(10,750,000)	
Other postemployment benefits (OPEB) (Note 8)	(7,226,803)	
Compensated absences	(911,554)	
		(134,662,190)
In governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period in which it is incurred.		(1,867,154)
Internal service funds are used to conduct certain activities for which cost are charged to other funds on a full cost-recovery basis. Net position for the internal service fund is:		555,752
Total net position - governmental activities		$ 64,558,112

See accompanying notes to financial statements.

SAN LORENZO UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2013

	General Fund	Building Fund	Special Reserve for Capital Outlay Fund	Debt Service Fund	All Non-Major Funds	Total Governmental Funds
Revenues:						
Revenue limit sources:						
State apportionment	$ 38,065,853	$ -	$ -	$ -	$ -	$ 38,065,853
Local sources	19,885,260	-	-	-	-	19,885,260
Total revenue limit	57,951,113	-	-	-	-	57,951,113
Federal sources	6,453,559	-	-	-	4,091,434	10,544,993
Other state sources	16,268,750	-	-	-	1,042,077	17,310,827
Other local sources	6,809,191	334,735	2,957,031	867,931	8,768,091	19,736,979
Total revenues	87,482,613	334,735	2,957,031	867,931	13,901,602	105,543,912
Expenditures:						
Certificated salaries	43,916,329	-	-	-	270,489	44,186,818
Classified salaries	13,345,617	312,917	-	-	1,858,753	15,517,287
Employee benefits	14,544,225	119,918	-	-	657,793	15,321,936
Books and supplies	2,705,763	386,708	47,004	-	1,971,093	5,110,568
Contract services and operating expenditures	9,112,088	470,896	76,991	-	377,152	10,037,127
Capital outlay	107,694	17,535,907	410,119	-	1,494,463	19,548,183
Other outgo	2,003,454	-	-	-	-	2,003,454
Debt service:						
Principal retirement	-	-	-	935,000	940,000	1,875,000
Interest	-	-	-	774,786	5,369,252	6,144,038
Total expenditures	85,735,170	18,826,346	534,114	1,709,786	12,938,995	119,744,411
Excess (deficiency) of revenue over (under) expenditures	1,747,443	(18,491,611)	2,422,917	(841,855)	962,607	(14,200,499)
Other financing sources (uses):						
Operating transfers in	350,857	-	988,064	1,004,300	488,064	2,831,285
Operating transfers out	(613,064)	-	(1,134,300)	-	(1,208,921)	(2,956,285)
Proceeds from issuance of debt	-	11,500,000	-	-	16,085,000	27,585,000
Other financing sources	-	-	-	-	644,091	644,091
Refundings of debt	-	-	-	-	(15,890,000)	(15,890,000)
Total other financing sources (uses)	(262,207)	11,500,000	(146,236)	1,004,300	118,234	12,214,091
Net change in fund balances	1,485,236	(6,991,611)	2,276,681	162,445	1,080,841	(1,986,408)
Fund balances, July 1, 2012	17,661,281	26,181,673	7,196,130	9,249,190	9,119,074	69,407,348
Fund balances, June 30, 2013	$ 19,146,517	$ 19,190,062	$ 9,472,811	$ 9,411,635	$ 10,199,915	$ 67,420,940

See accompanying notes to financial statements.

SAN LORENZO UNIFIED SCHOOL DISTRICT

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

For the Year Ended June 30, 2013

Net change in fund balances - Total Governmental Funds		$ (1,986,408)
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	$ 19,548,184	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(4,684,976)	
Proceeds from issuance of long-term debt are recognized as other financing sources in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 5).	(27,585,000)	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net assets (Note 5).	17,765,000	
In governmental funds, bond premiums are recognized as revenue in the period they are received. In the government-wide statements, bond premiums are amortized over the life of the relate debt (Note 5).	(616,493)	
Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when due.	415,501	
In the statement of activities, expenses related to other postemployment benefits and compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	(458,101)	
Internal service funds are used to conduct certain activities for which cost are charged to other funds on a full cost-recovery basis. Net position for the self-insurance fund is:	73,105	4,457,220
Change in net position of governmental activities		$ 2,470,812

See accompanying notes to financial statements.

SAN LORENZO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION - INTERNAL SERVICE FUND

SELF-INSURANCE FUND

June 30, 2013

ASSETS	
Cash and investments:	
Cash in County Treasury	$ 554,429
Receivables	1,323
Total assets	555,752
NET POSITION	
Restricted	$ 555,752

See accompanying notes to financial statements.

SAN LORENZO UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGE IN NET POSITION - INTERNAL SERVICE FUND

SELF-INSURANCE FUND

For the Year Ended June 30, 2013

Operating revenues:	
Other local revenues	$ 115,577
Operating expenses:	
Books and supplies	22,008
Contract services and operating expenses	146,620
Total operating expenses	168,628
Operating loss	(53,051)
Non-operating income:	
Interest income	1,156
Transfers from other funds	125,000
Total non-operating income	126,156
Change in net position	73,105
Net position, July 1, 2012	482,647
Net position, June 30, 2013	$ 555,752

See accompanying notes to financial statements.

SAN LORENZO UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUND

SELF-INSURANCE FUND

For the Year Ended June 30, 2013

Cash flows from operating activities:	
Cash received from premiums and other income	$ 115,825
Cash paid for employee benefits and operating expenses	(169,014)
Net cash used in operating activities	(53,189)
Cash flows provided by non-capital financing activities:	
Transfers from other funds	125,000
Cash flows provided by investing activities:	
Interest income	1,155
Increase in cash and investments	72,966
Cash and investments, July 1, 2012	481,463
Cash and investments, June 30, 2013	$ 554,429
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (53,051)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Decrease in receivables	248
Decrease in accounts payable	(386)
Total adjustments	(138)
Net cash used in operating activities	$ (53,189)

See accompanying notes to financial statements.

SAN LORENZO UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2013

	Warrant/ Pass-Through	Student Body	Total
ASSETS			
Cash and investments:			
Cash in County Treasury (Note 2)	$ 3,280,627	$ -	$ 3,280,627
Cash on hand and in banks (Note 2)	-	357,803	357,803
Due from other funds (Note 3)	533	-	533
Total assets	3,281,160	357,803	3,638,963
LIABILITIES			
Liabilities:			
Due to other funds (Note 3)	3,281,160	-	3,281,160
Due to student groups	-	357,803	357,803
Total liabilities	3,281,160	357,803	3,638,963
NET POSITION			
Restricted	$ -	$ -	$ -

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Lorenzo Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity

The Board of Trustees is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

In 1975 certain members of the District's Board of Trustees and District employees formed a nonprofit benefit corporation, known as the San Lorenzo Unified School District Financing Corporation (the "Corporation"), which is organized under Nonprofit Benefit Corporation Law of the State of California. The purpose of the Corporation is to finance the acquisition and construction of school facilities. The Corporation issued Certificates of Participation (COPs), a form of long-term liabilities, which the District used to finance construction of school facilities.

The District and the Corporation have a financial and operational relationship that meets the reporting entity definition criteria of GASB Codification Section 2100, *The Financial Reporting Entity*, for inclusion of the Corporation as a blended component unit of the District. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental organization's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the depended unit should be reported as a part of the other.

Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2013, the financial activities of the Corporation have been blended into the financial statements of the District. The Corporation's financial activities are presented in the Debt Service Fund. COPs issued by the Corporation are included as long-term liabilities in the governmental-wide financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Basis of Presentation - 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, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

A - Major Funds

1 - General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. The balance and activity of the Special Reserve for Other Postemployment Benefits Fund is included with the General Fund for financial reporting purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

A - Major Funds (Continued)

2 - Building Fund:

The Building Fund is used to account for resources used for the acquisition of capital facilities by the District.

3 - Special Reserve for Capital Outlay Fund:

The Special Reserve for Capital Outlay Fund is used to provide for the accumulation of general fund moneys for capital outlay purposes.

4 - Debt Service Fund:

The Debt Service Fund is used to account for the accumulation of resources for, and the repayment of, general long-term debt principal, interest, and related costs.

B - Other Funds

1 - Special Revenue Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This includes the Adult Education, Child Development, Cafeteria, and Deferred Maintenance Funds.

2 - Capital Projects Funds:

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets. This includes the Capital Facilities and County School Facilities Funds.

3 - Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the payment of, general long-term liabilities principal, interest and related costs.

4 - Self-Insurance Fund:

The Self-Insurance Fund is an internal service fund which is used to account for the District's property and liability claims coverage provided to parties inside the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

B - Other Funds (Continued)

5 - Agency Funds:

Agency Funds are used to account for assets of others for which the District has an agency relationship with the activity of the fund. This includes the Warrant/Pass-Through and the Student Body Funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual

Governmental activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting

By state law, the Board of Trustees must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Trustees complied with these requirements.

Receivables

Receivables are made up principally of amounts due from the State of California for Revenue Limit funding and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2013.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stores Inventory

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

Capital Assets

Capital assets purchased or acquired, with an original cost of $5,000 or more, are recorded 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 outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 50 years depending on asset types.

Compensated Absences

Compensated absences totaling $911,554 are recorded as a long-term liability of the District.

Accumulated Sick Leave

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as a operating expenditure 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.

Unearned Revenue

Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Alameda bills and collects taxes for the District. Tax revenues are recognized by the District when received.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Net Position

Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date. The restriction for unspent categorical program revenues represents the portion of net position restricted to specific program expenditures. The restriction for special revenues represents the portion of net position the District plans to expend in the future for special purposes. The restriction for capital projects represents the portion of net position the District plans to expend in the future on capital projects. The restriction for debt service represents the amount the District plans to expend in the ensuing fiscal year on debt service. The restriction for self-insurance represents the portion of net position which will be used for payment of health insurance premiums for current and future retirees. It is the District's policy to use restricted net position first, when allowable expenditures are incurred.

Fund Balance Classifications

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash and stores inventory.

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net assets as reported in the government-wide and fiduciary trust fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Trustees. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Trustees is required to remove any commitment from any fund balance. At June 30, 2013, the District had no committed fund balances.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Trustees has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Trustees can designate personnel with the authority to assign fund balances, however, as of June 30, 2013, no such delegation has occurred.

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Fund Balance Policy

The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. The District has established a minimum fund balance policy, which requires Reserves for Economic Uncertainties in the General Fund of no less than 6% of expenditures, outgo and other financing uses. At June 30, 2013, the District has not established a stabilization arrangement.

Self-Insurance Internal Service Fund

The District is self-insured for up to $25,000 per claim, for property damage, general liability and automobile liability. The General Fund is charged premiums by the Self-Insurance Fund, which is accounted for as an Internal Service Fund. The District also participates in two joint powers authorities, which provide excess liability and workers' compensation coverage to the District. On the government-wide financial statements, the Internal Service Fund activity is eliminated to avoid doubling of revenues and expenditures. There were no outstanding claims as of June 30, 2013.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

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

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The Statement improves 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. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement incorporates 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; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on financial statements of the District.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application being encouraged. Based on the implementation of Statement No. 65 the District's July 1, 2012 net position was restated by $591,520 because bond issuance costs were no longer capitalized.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application encouraged. Management has not determined what impact, if any, this GASB statement will have on the District's financial statements.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This Statement is effective for the District's financial period beginning June 30, 2014. Management has not determined what impact, if any, this statement might have on its financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's financial period beginning June 30, 2015. Management has not determined what impact, if any, this statement might have on the District's financial statements.

2. CASH AND INVESTMENTS

Cash at June 30, 2013 consisted of the following:

	Governmental Activities	Fiduciary Activities
Pooled Funds:		
Cash in County Treasury	$ 47,719,909	3,280,627
Local Agency Investment Fund	110,511	-
Deposits:		
Cash in revolving fund	35,000	-
Cash on hand and in banks	-	357,803
Investments:		
Cash with Fiscal Agent	10,482,988	-
Total	$ 58,348,408	$ 3,638,430

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Alameda County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the Alameda County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2013, the Alameda County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

2. CASH AND INVESTMENTS (Continued)

Local Agency Investment Fund

San Lorenzo Unified School District places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in the pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The monies held in the pooled investments funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity and yield are not jeopardized.

Deposits- Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2013, the carrying amount of the District's accounts were $392,803, and the bank balance were $445,755. The total uninsured bank balances at June 30, 2013 were $49,068.

Cash with Fiscal Agent

Cash with Fiscal Agent represent funds held by Fiscal Agents restricted for repayment of General Obligation Bonds, Certificates of Participation and Qualified Zone Academy Bonds (Note 5).

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2013, the District had no significant interest rate risk related to cash and investments held.

2. CASH AND INVESTMENTS (Continued)

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2013, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at June 30, 2013 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	$ 3,289,911	$ 1,579,812
Building	451,807	-
Special Reserve for Capital Outlay	2,081,246	4,906
Debt Service	2,952	450,013
Non-Major Funds:		
Adult Education	373	-
Cafeteria	-	510,931
Fiduciary Fund:		
Warrant/Pass-Through	533	3,281,160
Totals	$ 5,826,822	$ 5,826,822

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2012-2013 fiscal year were as follows:

Transfer from the General Fund to the Cafeteria Fund for "Meals for the Needy."	$ 488,064
Transfer from the General Fund to the Self-Insurance Fund for the General Fund share of insurance fund reimbursement.	125,000
Transfer from the Cafeteria Fund to the Special Reserve for Capital Outlay Projects Fund to pay for a construction project.	988,064
Transfer from the Special Reserve for Capital Outlay Projects Fund to the General Fund for non-use of sites.	130,000
Transfer from the Special Reserve for Capital Outlay Projects Fund to the Debt Service Fund to provide for repayment of COPs.	1,004,300
Transfer from the Adult Education Fund to the General Fund for indirect cost support.	21,458
Transfer from the Child Development Fund to the General Fund for indirect cost support.	1,768
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	197,631
	$ 2,956,285

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2013 is shown below:

	Balance July 1, 2012	Additions and Transfers	Deletions and Transfers	Balance June 30, 2013
Non-depreciable:				
Land	$ 1,388,301	$ -	$ -	$ 1,388,301
Work-in-process	6,817,243	15,040,360	(5,314,178)	16,543,425
Depreciable:				
Improvement of sites	15,255,314	728,515	-	15,983,829
Buildings	136,998,489	3,373,056	5,314,178	145,685,723
Equipment	11,553,018	406,253	-	11,959,271
Totals, at cost	172,012,365	19,548,184	-	191,560,549
Less accumulated depreciation:				
Improvement of sites	(7,225,021)	(230,788)	-	(7,455,809)
Buildings	(41,751,227)	(3,662,824)	-	(45,414,051)
Equipment	(4,788,561)	(791,364)	-	(5,579,925)
Total accumulated depreciation	(53,764,809)	(4,684,976)	-	(58,449,785)
Governmental activities capital assets, net	$ 118,247,556	$ 14,863,208	$ -	$ 133,110,764

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 9,998
Food services	55,188
General administration	12,894
Plant services	4,606,896
Total depreciation expense	$ 4,684,976

5. LONG-TERM LIABILITIES

General Obligation Bonds

On May 15, 2005, the District issued 2004 Series "A" General Obligation Bonds in the amount of $20,000,000 to improve or construct school facilities. In June 2013, the Bonds were partially refunded, on a current basis. The schedule of future payments has been adjusted to reflect the partial refunding. The Bonds accrue interest up to a maximum of 4.0% per annum from the date of issuance and are scheduled to mature through August 2013.

The following is a schedule of future payments on the remaining 2004 Series "A" Bonds:

Year Ended June 30,	Principal	Interest	Total
2014	$ 600,000	$ 687,184	$ 1,287,184

On May 3, 2006, the District issued 2004 Series "B" General Obligation Bonds in the amount of $29,000,000 to improve or construct school facilities. The Bonds accrue interest up to a maximum of 6.5% per annum from the date of issuance and are scheduled to mature through August 2037.

The following is a schedule of future payments on the Bonds:

Year Ended June 30,	Principal	Interest	Total
2014	$ 385,000	$ 1,250,838	$ 1,635,838
2015	310,000	1,236,938	1,546,938
2016	330,000	1,224,137	1,554,137
2017	350,000	1,210,537	1,560,537
2018	370,000	1,196,138	1,566,138
2019-2023	2,155,000	5,732,439	7,887,439
2024-2028	2,690,000	5,218,675	7,908,675
2029-2033	7,795,000	4,254,432	12,049,432
2034-2038	13,140,000	1,930,877	15,070,877
	$ 27,525,000	$ 23,255,011	$ 50,780,011

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

On May 6, 2009, the District issued 2008 Series "A" General Obligation Bonds in the amount of $26,000,000 to improve or construct school facilities. The Bonds accrue interest up to a maximum of 5.15% per annum from the date of issuance and are scheduled to mature through August 2033.

The following is a schedule of future payments on the Bonds:

Year Ended June 30,	Principal	Interest	Total
2014	$ 555,000	$ 1,033,850	$ 1,588,850
2015	-	1,022,750	1,022,750
2016	530,000	1,012,150	1,542,150
2017	500,000	991,550	1,491,550
2018	835,000	964,850	1,799,850
2019-2023	4,695,000	4,277,850	8,972,850
2024-2028	5,815,000	3,041,375	8,856,375
2029-2033	7,420,000	1,397,500	8,817,500
2034	1,730,000	43,250	1,773,250
	$ 22,080,000	$ 13,785,125	$ 35,865,125

On April 6, 2011, the District issued 2008 Series "B" General Obligation Bonds in the amount of $27,725,000 to improve or construct school facilities. The Bonds accrue interest up to a maximum of 8.00% per annum from the date of issuance and are scheduled to mature through August 2041.

The following is a schedule of future payments on the Bonds:

Year Ended June 30,	Principal	Interest	Total
2014	$ 505,000	$ 1,602,006	$ 2,107,006
2015	380,000	1,566,606	1,946,606
2016	200,000	1,543,406	1,743,406
2017	465,000	1,516,806	1,981,806
2018	130,000	1,493,006	1,623,006
2019-2023	2,145,000	7,141,266	9,286,266
2024-2028	4,030,000	6,211,294	10,241,294
2029-2033	5,345,000	4,985,789	10,330,789
2034-2038	7,140,000	3,291,866	10,431,866
2039-2042	7,385,000	918,750	8,303,750
	$ 27,725,000	$ 30,270,795	$ 57,995,795

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

On June 5, 2013, the District issued 2008 Series "C" General Obligation Bonds in the amount of $11,500,000. The Bonds were issued to improve or construct school facilities, accrue interest up to a maximum of 5.0% per annum from the date of issuance, and are scheduled to mature through August 2041.

The following is a schedule of future payments on the Bonds:

Year Ended June 30,	Principal	Interest	Total
2014	$ -	$ 320,026	$ 320,026
2015	-	488,175	488,175
2016	-	488,175	488,175
2017	-	488,175	488,175
2018	-	488,175	488,175
2019-2023	-	2,440,875	2,440,875
2024-2028	-	2,440,875	2,440,875
2029-2033	-	2,440,875	2,440,875
2034-2038	5,230,000	1,956,812	7,186,812
2039-2042	6,270,000	513,800	6,783,800
	$ 11,500,000	$ 12,065,963	$ 23,565,963

On June 5, 2013, the District issued 2013 General Obligation Refunding Bonds in the amount of $16,085,000. The Bonds were issued to refund, on a current basis, certain maturities of the 2004 Series "A" General Obligation Bonds. The 2013 Refunding Bonds accrue interest up to a maximum of 3.5% per annum from the date of issuance, and are scheduled to mature through August 2029.

The following is a schedule of future payments on the Bonds:

Year Ended June 30,	Principal	Interest	Total
2014	$ 255,000	$ 321,126	$ 576,126
2015	700,000	477,538	1,177,538
2016	500,000	459,538	959,538
2017	445,000	445,363	890,363
2018	680,000	428,488	1,108,488
2019-2023	4,895,000	1,745,163	6,640,163
2024-2028	5,960,000	918,663	6,878,663
2029-2030	2,650,000	91,815	2,741,815
	$ 16,085,000	$ 4,887,694	$ 20,972,694

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

No accounting loss was recognized as a result of the 2013 refundings. In addition, the District in effect decreased its aggregate debt service payments by $1.75 million over the next seventeen years and obtained an economic gain of $1.57 million.

Calculation of the difference in cash flow requirements and economic loss are as follows:

Old debt service cash flows	$ 22,722,493
New debt service cash flows	20,972,494
Cash flow difference	$ 1,749,999
Present value of old debt cash flows	$ 17,231,755
Present value of new debt cash flows	15,659,966
Economic gain	$ 1,571,789

Certificates of Participation

In 1999, the District issued $7,065,000 in Certificates of Participation. The proceeds from the Certificates of Participation were used to provide financing for the construction of new school facilities. The final payment on the 1999 Certificates of Participation was made in July 2012.

In 2006, the District issued $9,600,000 in Certificates of Participation. The proceeds from the Certificates of Participation were used to provide financing for the construction of new school facilities. The 2006 Certificates of Participation mature through February 2036, and have interest rates ranging from 4.00% to 5.00%.

The following is a schedule of the future payments for the Certificates of Participation:

Year Ended June 30,	Principal	Interest	Total
2014	$ 245,000	$ 378,763	$ 623,763
2015	250,000	368,963	618,963
2016	260,000	358,963	618,963
2017	275,000	348,563	623,563
2018	285,000	337,563	622,563
2019-2023	1,595,000	1,508,213	3,103,213
2024-2028	1,955,000	1,152,644	3,107,644
2029-2033	2,405,000	698,356	3,103,356
2034-2036	1,710,000	151,811	1,861,811
	$ 8,980,000	$ 5,303,839	$ 14,283,839

5. LONG-TERM LIABILITIES (Continued)

Qualified Zone Academy Bond Payable

In January 2001, the District issued a Qualified Zone Academy Bond (QZAB) in the amount of $10,750,000. The QZAB matures in January 2014. Cash with Fiscal Agent totaling $9,838,246 at June 30, 2013, has been restricted for repayment of the QZAB principal and interest in the Debt Service Fund.

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2013 is shown below:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Amounts Due Within One Year
General Obligation Bonds	$ 94,760,000	$ 27,585,000	$ 16,830,000	$ 105,515,000	$ 2,300,000
Unamortized GO bond premiums	662,340	644,091	27,598	1,278,833	-
Certificates of Participation	9,915,000	-	935,000	8,980,000	245,000
QZAB	10,750,000	-	-	10,750,000	10,750,000
OPEB (Note 8)	6,648,375	995,177	416,749	7,226,803	-
Compensated absences	1,031,881	-	120,327	911,554	-
Totals	$ 123,767,596	$ 29,224,268	$ 18,329,674	$ 134,662,190	$ 13,295,000

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Debt Service Fund. Payments on the other postemployment benefits and compensated absences are made from the fund for which the related employee worked.

6. NET POSITION / FUND BALANCES

Restricted net position consisted of the following at June 30, 2013:

Unspent categorical program revenues	$ 2,690,560
Special revenues	3,945,673
Capital projects	10,925,609
Debt service	4,801,444
Self-insurance	555,752
	$ 22,919,038

6. NET POSITION / FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2013 consisted of the following:

	General Fund	Building Fund	Special Reserve for Capital Outlay Projects Fund	Debt Service Fund	All Non-Major Funds	Total
Nonspendable:						
Revolving cash fund	$ 35,000	$ -	$ -	$ -	$ -	$ 35,000
Stores inventory	220,476	-	-	-	146,453	366,929
Subtotal nonspendable	255,476	-	-	-	146,453	401,929
Restricted:						
Unspent categorical revenues	2,690,560	-	-	-	-	2,690,560
Special revenues	-	-	-	-	3,799,220	3,799,220
Capital projects	-	19,190,062	9,472,811	-	1,452,798	30,115,671
Debt service	-	-	-	9,411,635	4,801,444	14,213,079
Subtotal restricted	2,690,560	19,190,062	9,472,811	9,411,635	10,053,462	50,818,530
Assigned:						
Postemployment benefits	1,644,508	-	-	-	-	1,644,508
Utilities and fuel	50,000	-	-	-	-	50,000
Subtotal assigned	1,694,508	-	-	-	-	1,694,508
Unassigned:						
Designated for economic uncertainty	5,198,970	-	-	-	-	5,198,970
Undesignated	9,307,003	-	-	-	-	9,307,003
Subtotal unassigned	14,505,973	-	-	-	-	14,505,973
Total fund balances	$ 19,146,517	$ 19,190,062	$ 9,472,811	$ 9,411,635	$ 10,199,915	$ 67,420,940

7. 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 California Public Employees' Retirement System (CalPERS).

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417% 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, 2012 and 2013 were $1,486,744, $1,560,435 and $1,633,182, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

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

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2012-2013 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2011, 2012 and 2013 were $3,530,818, $3,665,039 and $3,668,897, respectively, and equal 100% of the required contributions for each year.

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

San Lorenzo Unified School District's retiree healthcare plan is a single-employer defined benefit plan administered by the District. The plan provides health, dental, and vision to eligible retirees and spouses dependent upon years of service to the District and bargaining group. The District has issued a publicly available Management Plan for Financing Other Postemployment Benefits. That Management Plan may be obtained by writing San Lorenzo Unified School District, 15510 Usher Street, San Lorenzo, California 94550 or by calling 1-510-317-4600.

Funding Policy

The contribution requirements of the District are established and may be amended by the Board of Education. The required contribution is based in projected pay-as-you-go financing requirements, with an amount to fund the actuarial accrued liability as determined annually by the Board.

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefits (OPEB) cost (expense) is calculated based in the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	$ 950,000
Interest on net OPEB obligation	299,177
Adjustment to annual required contribution	(254,000)
Annual OPEB cost (expense)	995,177
Contributions made	416,749
Increase in net OPEB obligation	578,428
Net OPEB obligation - beginning of year	6,648,375
Net OPEB obligation - end of year	$ 7,226,803

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2013 and preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$ 2,124,000	48.5%	$ 4,767,838
June 30, 2012	$ 2,197,392	14.4%	$ 6,648,375
June 30, 2013	$ 995,177	41.9%	$ 7,226,803

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $9,598,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $9,598,000. For fiscal year ending June 30, 2013, the covered payroll (annual payroll of active employees covered by the plan) was $57,559,183, and the ratio of the UAAL to the covered payroll was 17 percent. The OPEB plan is currently operated as a pay-as-you-go plan.

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. the Schedule of Funding Progress is included as Required Supplementary Information.

Actuarial Methods and Assumptions

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

In the July 1, 2012, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent discount rate, an annual healthcare cost trend rate of 10 percent initially, reduced by decrements of .5 percent each year until an ultimate trend rate of 5 percent is reached. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at July 1, 2012, was 30 years.

9. JOINT POWERS AGREEMENTS

The District participates with other districts in seven joint powers agreements (JPAs). The relationships between the San Lorenzo Unified School District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

South County Transportation Group - An eleven member group providing special education transportation.

The Audio Visual Group - All Alameda County school districts are members. Its function is the repair and maintenance of audio visual equipment.

Mid Alameda County Schools Education Local Area Plan (MAC SELPA) - MAC SELPA is a four member group providing special education programs.

Hayward Area Shoreline Planning Agency (HASPA) - HASPA is a five member shoreline environmental protection and education group.

Eden Area Regional Occupational Program is a four member JPA serving four districts, which provides occupational training for participating students.

9. JOINT POWERS AGREEMENTS (Continued)

Separate financial statements of the JPAs listed above for June 30, 2013 were not available.

Alameda County Schools Insurance Group (ACSIG) - ACSIG arranges for and provides workers' compensation insurance for its members. Each member of ACSIG has an ongoing financial responsibility in the event of the JPAs total liabilities exceeding its total assets. The following is a summary of financial information for ACSIG at June 30, 2012 (most recent information available):

Total assets	$ 34,358,137
Total liabilities	$ 45,578,070
Total net liabilities	$ (11,219,933)
Total revenues	$ 132,350,942
Total expenses	$ 128,604,274
Change in net assets	$ 3,746,668

Northern California Regional Liability Excess Fund (Nor Cal ReLiEF) provides its members the capability of self-funding liability and property claims, pooling and joint purchasing of property and liability insurance. The following is a summary of financial information for Nor Cal ReLiEF at June 30, 2012 (most recent information available):

Total assets	$ 64,352,057
Total liabilities	$ 34,304,678
Total revenues	$ 17,582,150
Total expenses	$ 13,962,902
Change in net assets	$ 3,619,248
Total net assets	$ 30,047,379

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

10. LEASES RECEIVABLE

The District is the lessor for several property leases. At June 30, 2013, the District's future payments receivable are as follows:

Year Ending June 30,	
2014	$ 705,329
2015	721,330
2016	737,448
2017	510,867
2018	495,630
	$ 3,170,604

11. CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

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 result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the financial position or results of operations of the District.

REQUIRED SUPPLEMENTARY INFORMATION

SAN LORENZO UNIFIED SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2013

	Budget			Variance Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Revenue limit sources:				
State apportionment	$ 43,410,929	$ 40,082,154	$ 38,065,853	$ (2,016,301)
Local sources	14,357,641	18,385,563	19,885,260	1,499,697
Total revenue limit	57,768,570	58,467,717	57,951,113	(516,604)
Federal sources	5,902,954	7,110,076	6,453,559	(656,517)
Other state sources	15,143,548	16,228,416	16,268,750	40,334
Other local sources	5,701,801	6,793,180	6,809,191	16,011
Total revenues	84,516,873	88,599,389	87,482,613	(1,116,776)
Expenditures:				
Certificated salaries	42,578,752	44,000,662	43,916,329	84,333
Classified salaries	12,831,698	13,453,378	13,345,617	107,761
Employee benefits	14,593,410	14,739,771	14,544,225	195,546
Books and supplies	4,113,667	4,651,257	2,705,763	1,945,494
Contract services and operating expenditures	9,230,266	11,742,256	9,112,088	2,630,168
Capital outlay	28,052	119,092	107,694	11,398
Other outgo	2,035,551	2,003,454	2,003,454	-
Total expenditures	85,411,396	90,709,870	85,735,170	4,974,700
(Deficiency) excess of revenues (under) over expenditures	(894,523)	(2,110,481)	1,747,443	3,857,924
Other financing sources (uses):				
Operating transfers in	437,686	350,857	350,857	-
Operating transfers out	(613,064)	(613,064)	(613,064)	-
Total other financing sources (uses)	(175,378)	(262,207)	(262,207)	-
Net change in fund balance	(1,069,901)	(2,372,688)	1,485,236	3,857,924
Fund balance, July 1, 2012	17,661,281	17,661,281	17,661,281	-
Fund balance, June 30, 2013	$ 16,591,380	$ 15,288,593	$ 19,146,517	$ 3,857,924

See accompanying notes to required supplementary information.

SAN LORENZO UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2013

Schedule of Funding Progress

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2008	July 1, 2007	$ -	$16.96 million	$16.96 million	0%	$40.2 million	42%
6/30/2009	July 1, 2007	$ -	$16.96 million	$16.96 million	0%	$40.2 million	42%
6/30/2010	July 1, 2007	$ -	$16.96 million	$16.96 million	0%	$40.2 million	42%
6/30/2011	July 1, 2010	$ -	$20.40 million	$20.40 million	0%	$40.2 million	51%
6/30/2012	July 1, 2010	$ -	$20.40 million	$20.40 million	0%	$40.2 million	51%
6/30/2013	July 1, 2012	$ -	$9.59 million	$9.59 million	0%	$57.6 million	17%

See accompanying notes to required supplementary information.

SAN LORENZO UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

SUPPLEMENTARY INFORMATION

SAN LORENZO UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2013

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Main-tenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total
ASSETS								
Cash in County Treasury	$ 344,794	$ 34,143	$ 2,934,088	$ 2,741	$ 54,038	$ 1,964,532	$ 4,799,055	$ 10,133,391
Receivables	57,614	-	1,011,721	3	30	1,428	2,389	1,073,185
Due from other funds	373	-	-	-	-	-	-	373
Stores inventory	-	-	146,453	-	-	-	-	146,453
Total assets	$ 402,781	$ 34,143	$ 4,092,262	$ 2,744	$ 54,068	$ 1,965,960	$ 4,801,444	$ 11,353,402
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ (111)	$ 12,611	$ 48,442	$ -	$ -	$ 567,230	$ -	$ 628,172
Unearned revenue	-	14,384	-	-	-	-	-	14,384
Due to other funds	-	-	510,931	-	-	-	-	510,931
Total liabilities	(111)	26,995	559,373	-	-	567,230	-	1,153,487
Fund balances:								
Nonspendable	-	-	146,453	-	-	-	-	146,453
Restricted	402,892	7,148	3,386,436	2,744	54,068	1,398,730	4,801,444	10,053,462
Total fund balances	402,892	7,148	3,532,889	2,744	54,068	1,398,730	4,801,444	10,199,915
Total liabilities and fund balances	$ 402,781	$ 34,143	$ 4,092,262	$ 2,744	$ 54,068	$ 1,965,960	$ 4,801,444	$ 11,353,402

SAN LORENZO UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2013

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Main-tenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total
Revenues:								
Federal sources	$ 52,996	$ -	$ 4,038,438	$ -	$ -	$ -	$ -	$ 4,091,434
Other state sources	500,060	133,054	316,758	-	-	-	92,205	1,042,077
Other local sources	97,104	31	1,989,429	21	32,446	6,820	6,642,240	8,768,091
Total revenues	650,160	133,085	6,344,625	21	32,446	6,820	6,734,445	13,901,602
Expenditures:								
Certificated salaries	270,489	-	-	-	-	-	-	270,489
Classified salaries	94,508	-	1,764,245	-	-	-	-	1,858,753
Employee benefits	93,572	-	564,221	-	-	-	-	657,793
Books and supplies	24,880	-	1,940,571	-	5,642	-	-	1,971,093
Contract services and operating expenditures	70,035	133,094	162,160	7,025	4,838	-	-	377,152
Capital outlay	-	-	69,481	-	-	1,424,982	-	1,494,463
Debt service:								
Principal	-	-	-	-	-	-	940,000	940,000
Interest	-	-	-	-	-	-	5,369,252	5,369,252
Total expenditures	553,484	133,094	4,500,678	7,025	10,480	1,424,982	6,309,252	12,938,995
Excess (deficiency) of revenues over (under) expenditures	96,676	(9)	1,843,947	(7,004)	21,966	(1,418,162)	425,193	962,607
Other financing sources (uses):								
Operating transfers in	-	-	488,064	-	-	-	-	488,064
Operating transfers out	(21,458)	(1,768)	(1,185,695)	-	-	-	-	(1,208,921)
Proceeds from issuance of debt	-	-	-	-	-	-	16,085,000	16,085,000
Other financing sources	-	-	-	-	-	-	644,091	644,091
Refundings of debt	-	-	-	-	-	-	(15,890,000)	(15,890,000)
Total other financing sources (uses)	(21,458)	(1,768)	(697,631)	-	-	-	839,091	118,234
Net change in fund balances	75,218	(1,777)	1,146,316	(7,004)	21,966	(1,418,162)	1,264,284	1,080,841
Fund balances, July 1, 2012	327,674	8,925	2,386,573	9,748	32,102	2,816,892	3,537,160	9,119,074
Fund balances, June 30, 2013	$ 402,892	$ 7,148	$ 3,532,889	$ 2,744	$ 54,068	$ 1,398,730	$ 4,801,444	$ 10,199,915

SAN LORENZO UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Student Body				
Elementary Schools				
Assets:				
Cash on hand and in banks	$ 36,510	$ 21,326	$ 18,836	$ 39,000
Due from other funds	-	-	-	-
Total assets	$ 36,510	$ 21,326	$ 18,836	$ 39,000
Liabilities:				
Due to student groups	$ 36,510	$ 21,326	$ 18,836	$ 39,000
Due to other funds	-	-	-	-
Total liabilities	$ 36,510	$ 21,326	$ 18,836	$ 39,000
Middle Schools				
Assets:				
Cash on hand and in banks	$ 2,881	$ 6,523	$ 4,488	$ 4,916
Due from other funds	-	-	-	-
Total assets	$ 2,881	$ 6,523	$ 4,488	$ 4,916
Liabilities:				
Due to student groups	$ 2,881	$ 6,523	$ 4,488	$ 4,916
Due to other funds	-	-	-	-
Total liabilities	$ 2,881	$ 6,523	$ 4,488	$ 4,916
High Schools				
Assets:				
Cash on hand and in banks	$ 231,198	$ 733,083	$ 650,394	$ 313,887
Due from other funds	-	-	-	-
Total assets	$ 231,198	$ 733,083	$ 650,394	$ 313,887
Liabilities:				
Due to student groups	$ 231,198	$ 733,083	$ 650,394	$ 313,887
Due to other funds	-	-	-	-
Total liabilities	$ 231,198	$ 733,083	$ 650,394	$ 313,887

(Continued)

SAN LORENZO UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Warrant/Pass-Through Fund				
Assets:				
Cash in County Treasury	$ 4,065,500	$ -	$ 784,873	$ 3,280,627
Cash on hand and in banks	-	-	-	-
Due from other funds	4,125	-	3,592	533
Total assets	$ 4,069,625	$ -	$ 788,465	$ 3,281,160
Liabilities:				
Due to student groups	$ -	$ -	$ -	$ -
Due to other funds	4,069,625	-	788,465	3,281,160
Total liabilities	$ 4,069,625	$ -	$ 788,465	$ 3,281,160
Total Agency Funds				
Assets:				
Cash in County Treasury	$ 4,065,500	$ -	$ 784,873	$ 3,280,627
Cash on hand and in banks	270,589	760,932	673,718	357,803
Due from other funds	4,125	-	3,592	533
Total assets	$ 4,340,214	$ 760,932	$ 1,462,183	$ 3,638,963
Liabilities:				
Due to student groups	$ 270,589	$ 760,932	$ 673,718	$ 357,803
Due to other funds	4,069,625	-	788,465	3,281,160
Total liabilities	$ 4,340,214	$ 760,932	$ 1,462,183	$ 3,638,963

SAN LORENZO UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2013

San Lorenzo Unified School District was established in 1859. The District is currently operating 9 elementary schools, 3 middle schools, and 4 high schools. There were no changes in District boundaries for the year ended June 30, 2013.

GOVERNING BOARD

Name	Office	Term Expires
Norman D. Fobert	President	December 2016
Helen Kay Foster	Vice President/Clerk	December 2016
Isabel Polvorosa	Member	December 2014
Helen T. Randall	Member	December 2014
Penny Peck	Member	December 2016

ADMINISTRATION

Dr. Dennis D. Byas*
Superintendent

Dr. Lowell Shira
Assistant Superintendent, Business Services

Sharon J. Lampel
Assistant Superintendent, Personnel Services

* Dr. Byas retired from the District effective September 30, 2013. On October 7, 2013, Dr. Fred Brill was hired as the new Superintendent for the District.

SAN LORENZO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2013

	Original Second Period Report	Audited* Second Period Report	Annual Report
Elementary:			
Kindergarten	837	837	837
First through Third	2,499	2,499	2,495
Fourth through Sixth	2,327	2,327	2,328
Seventh and Eighth	1,477	1,477	1,477
Special Education	200	200	203
Subtotal Elementary	7,340	7,340	7,340
High School:			
Ninth through Twelfth	3,232	3,232	3,210
Special Education	97	96	95
Continuation Education	130	133	128
Subtotal High School	3,459	3,461	3,433
District Total	10,799	10,801	10,773

* Reflects revisions made by the District, based on an internal review of records.

See accompanying notes to supplementary information.

SAN LORENZO UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2013

Grade Level	Statutory 1986-87 Minutes Require-ment	Reduced 1986-87 Minutes Require-ment	Statutory 1882-83 Actual Minutes	Reduced 1982-83 Actual Minutes	2012-13 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	32,400	31,500	44,610	177	In Compliance
Grade 1	50,400	49,000	42,300	41,125	53,100	177	In Compliance
Grade 2	50,400	49,000	42,300	41,125	53,100	177	In Compliance
Grade 3	50,400	49,000	42,300	41,125	53,100	177	In Compliance
Grade 4	54,000	52,500	53,100	51,625	54,900	177	In Compliance
Grade 5	54,000	52,500	53,100	51,625	54,900	177	In Compliance
Grade 6	54,000	52,500	53,100	51,625	55,265	177	In Compliance
Grade 7	54,000	52,500	53,100	51,625	55,265	177	In Compliance
Grade 8	54,000	52,500	53,100	51,625	55,265	177	In Compliance
Grade 9	64,800	63,000	65,035	63,228	65,100	177	In Compliance
Grade 10	64,800	63,000	65,035	63,228	65,100	177	In Compliance
Grade 11	64,800	63,000	65,035	63,228	65,100	177	In Compliance
Grade 12	64,800	63,000	65,035	63,228	65,100	177	In Compliance

See accompanying notes to supplementary information.

SAN LORENZO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

For the Year Ended June 30, 2013

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Education - Passed through California Department of Education			
	Special Education Cluster:		
84.027	Special Ed IDEA: Basic Local Assistance Entitlement, Part B, Sec 611	13379	$ 2,058,954
84.027A	Special Ed IDEA: Mental Health Allocation Plan, Part B, Sec 611	14468	322,516
84.027A	Special Ed IDEA: Preschool Local Entitlement, Part B, Sec 611 (Age 3-5)	13682	100,903
84.173	Special Education IDEA: Preschool Grants, Part B, Section 619 (Age 3-4-5)	13430	48,229
	Subtotal Special Education Cluster		2,530,602
	School Improvement Grants Cluster:		
84.377	NCLB: Title I, School Improvement Grant (SIG) for QEIA Schools	14971	160,838
84.388	NCLB: ARRA Title I, School Improvement Grant	15004	491,012
	Subtotal School Improvement Grants Cluster		651,850
84.002	Adult Education: Adult Basic Education & ESL	14508	52,996
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	2,023,207
84.048	Carl D. Perkins Career and Technical Education, Secondary, Section 131	14894	86,944
84.215	Fund for the Improvement of Education	02151	14,628
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14349	233,035
84.330B	NCLB Title 1, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	14831	3,626
84.334A	Federal GEAR UP: Gaining Early Awareness and Readiness for Undergraduate	10088	10,145
84.365	NCLB: Title III, Limited English Proficiency (LEP) Student Program	14346	340,595
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	367,076
	Total U.S. Department of Education		6,314,704

(Continued)

SAN LORENZO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2013

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Health and Human Services - Passed through California Department of Education			
93.778	Department of Health Services: Medi-Cal Billing Option	10013	$ 125,915
U.S. Department of Agriculture - Passed through California Department of Education			
10.553	Child Nutrition: School Programs	13390	3,929,337
10.558	Child Nutrition: CACFP Claims Centers and Family Day Care	13393	38,813
10.582	Child Nutrition: Fresh Fruit and Vegetable Program	14968	70,287
	Total U.S. Department of Agriculture		4,038,437
	Total Federal Programs		$ 10,479,056

See accompanying notes to supplementary information.

SAN LORENZO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

There were no adjustments proposed to any funds of the District.

See accompanying notes to supplementary information.

SAN LORENZO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2013

(UNAUDITED)

	(Budgeted) 2014	2013	2012	2011
General Fund				
Revenues and other financing sources	$ 89,320,727	$ 87,833,470	$ 88,674,951	$ 90,405,289
Expenditures	88,959,031	85,735,170	85,561,252	84,862,967
Other uses and transfers out	653,064	613,064	613,064	1,113,064
Total outgo	89,612,095	86,348,234	86,174,316	85,976,031
Changes in fund balance	$ (291,368)	$ 1,485,236	$ 2,500,635	$ 4,429,258
Ending fund balance	$ 18,855,149	$ 19,146,517	$ 17,661,281	$ 15,160,646
Available reserves	$ 14,202,081	$ 14,505,973	$ 5,184,056	$ 5,145,265
Designated for economic uncertainties	$ 5,374,326	$ 5,198,970	$ 5,184,056	$ 5,145,265
Undesignated fund balance	$ 8,827,755	$ 9,307,003	$ -	$ -
Available reserves as percentages of total outgo	15.8%	16.8%	6.0%	6.0%
All Funds				
Total long-term liabilities	$121,367,190	$134,662,190	$123,767,596	$125,617,966
Average daily attendance at P-2	10,880	10,801	10,712	10,495

The General Fund fund balance (including the Special Reserve Fund for Postemployment Benefits) has increased by $8,415,129 over the past three years. The fiscal year 2013-2014 budget projects an decrease of $291,368. For a district this size, the State of California recommends available reserves of at least 3 percent of total general fund expenditures, transfers out and other uses (total outgo). The District has met this requirement.

The District has incurred operating surpluses in each of the past three years, but anticipates incurring an operating deficit during the fiscal year 2013-2014.

Total long-term liabilities have increased by $9,044,224 over the past two years, primarily due to the issuance of General Obligation Bonds.

Average daily attendance has decreased by 306 over the past three years. An increase of 79 ADA is anticipated for fiscal year 2013-2014.

See accompanying notes to supplementary information.

SAN LORENZO UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2013

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
KIPP Summit Academy	Separate Report
KIPP King Collegiate High School	Separate Report

See accompanying notes to supplementary information.

SAN LORENZO UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - 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 of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B - 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.

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all Federally funded programs. This schedule was prepared to comply with A-133 requirements, and is presented on the modified accrual basis of accounting.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2013.

Description	CFDA Number	Amount
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		$ 10,544,993
Add: Medi-Cal Billing Funds not spent	93.778	(65,937)
Total Schedule of Expenditure of Federal Awards		$ 10,479,056

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

1. PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2013-2014 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2013, the District did not adopt such a program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees
San Lorenzo Unified School District
San Lorenzo, California

Report on Compliance with State Laws and Regulations

We have audited San Lorenzo Unified School District's compliance with the types of compliance requirements described in the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2013.

Description	Audit Guide Procedures	Procedures Performed
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Instructional Materials:		
General requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	No, see below
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	No, see below
Contemporaneous Records of Attendance, for charter schools	1	No, see below
Mode of Instruction, for charter schools	1	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	4	No, see below

The District is not a County Office of Education; therefore, we did not perform any procedures related to the County Office of Education - Instructional Time.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform steps a through d.

The District did not offer a Juvenile Court Schools Program during the current year; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not participate in Option Two of the Class Size Reduction Program and has more than one school serving grades K through 3; therefore, we did not perform any procedures related to Option Two or Class Size Reduction- Districts with only one school serving grades K through 3.

The District does not offer a before school program; therefore, we did not perform any procedures related to After School Education and Safety Program- Before School.

The District does not include any charter schools in its financial statements; therefore, we did not perform any of the testing procedures required by Article 4 of the Audit Guide.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations of San Lorenzo Unified School District. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about San Lorenzo Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of San Lorenzo Unified School District's compliance.

Opinion with State Laws and Regulations

In our opinion, San Lorenzo Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2013. Further, based on our examination, for items not tested, nothing came to our attention to indicate that San Lorenzo Unified School District had not complied with the state laws and regulations.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 11, 2013

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
San Lorenzo Unified School District
San Lorenzo, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Lorenzo Unified School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise San Lorenzo Unified School District's basic financial statements, and have issued our report thereon dated December 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Lorenzo Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Lorenzo Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of San Lorenzo Unified School District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified other matters involving internal control that were communicated to management as identified in the accompanying Schedule of Findings and Questioned Costs, as Finding 2013-01.

Compliance and Other Matters

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

Response to Finding

San Lorenzo Unified School District's response to the finding identified in our audit is described in the accompanying schedule of Audit Findings and Questioned Costs. San Lorenzo Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 11, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
San Lorenzo Unified School District
San Lorenzo, California

Report on Compliance for Each Major Federal Program

We have audited San Lorenzo Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Lorenzo Unified School District's major federal programs for the year ended June 30, 2013. San Lorenzo Unified 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San Lorenzo Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about San Lorenzo Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of San Lorenzo Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, San Lorenzo Unified School District complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of San Lorenzo Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered San Lorenzo Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 San Lorenzo Unified School District's internal control over compliance.

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 11, 2013

FINDINGS AND RECOMMENDATIONS

SAN LORENZO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	____ Yes	_X_ No	
Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes	_X_ None reported	
Noncompliance material to financial statements noted?	____ Yes	_X_ No	

FEDERAL AWARDS

Internal control over major programs:			
Material weakness(es) identified?	____ Yes	_X_ No	
Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes	_X_ None reported	
Type of auditor's report issued on compliance for major programs:	Unmodified		
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 Number(s)	Name of Federal Program or Cluster
84.377, 84.388	School Improvement Grants Cluster (including ARRA)
84.367	NCLB: Title II, Part A, Teacher Quality
10.553	Child Nutrition: School Programs

Dollar threshold used to distinguish between Type A and Type B programs:	$ 314,372		
Auditee qualified as low-risk auditee?	_X_ Yes	____ No	

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified		

SECTION II - FINANCIAL STATEMENT FINDINGS

2013-01 DEFICIENCY - ASSOCIATED STUDENT BODY (30000)

Criteria

Education Code Section 48930 (and California Department of Education's "Accounting Procedures for Student Organizations Handbook") requires student body organizations to follow the regulations set by the Governing Board of the school district.

Condition

At Washington Manor Middle School:

- There is no record of receipt books issued by clubs or teachers for the receipt of funds.
- Cash turned in by individuals are not identified with numbered receipts.
- Receipts did not contain a detail of items receipted.
- There is no formal process for the preparation of monthly financial transaction reports for each club.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures surrounding ASB accounts have not been adequately enforced.

Fiscal Impact

Not determinable

Recommendation

The District should implement and enforce internal controls, including:

- Implement the use of sub receipt books
- Dual cash counts of deposits should be documented and receipts should be issued.
- Monthly financial statements should be prepared for each club.

Corrective Action Plan

Management will work to educate site personnel with ASB responsibilities on appropriate accounting procedures and controls, specifically to ensure that the recommendations above will be implemented.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

SAN LORENZO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2013

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2012-01 Manual journal entries selected for testing did not contain evidence of review by a person independent of the preparer. District management should develop a process to ensure that manual journal entries are reviewed by an individual independent of the preparer.	Implemented.	

APPENDIX B

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

The information in this and other sections concerning the District's operations and operating budget 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 Series D Bonds is payable from the General Fund of the District. The Series D Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "SECURITY FOR THE SERIES D BONDS" in the front half of the Official Statement.

GENERAL INFORMATION

The District

The District provides educational services to the residents of unincorporated areas in Alameda County (the "**County**") known as San Lorenzo and Ashland, and to a portion of Cherryland, an unincorporated area between the Cities of San Leandro and Hayward, as well as to all of Washington Manor, a largely residential area within the City of San Leandro. The District operates nine elementary schools, three middle schools, four high schools and one adult school. Most of the District's schools were built in the 1950's and were upgraded as part of an modernization program active from 1998 through 2001. The District serves students in grades kindergarten through twelve, and operates nine elementary schools, three middle schools, four high schools and one adult school. Two charter schools operate within District boundaries. Enrollment in fiscal year 2014-15 is approximately 11,100 students.

Board of Education

The governing board of the District is called the Board of Education (the "**Board**"), which includes five voting members elected by the voters of the District. The voting members serve for four years and their terms are staggered so that at any election either two or three seats, respectively, are up for election. If a vacancy arises during any term, the vacancy is filled either by a special election or by an appointment by the Board of Education. Each December, the Board elects a President and a Vice President/Clerk to serve one-year terms. The current members of the Board are as follows:

Name	Board Position	Term Expires
Norman D. Fobért	President	December 2016
Penny Peck	Vice President/Clerk	December 2016
Helen Foster	Member	December 2016
Isabel Polvorosa	Member	December 2014
Helen T. Randall	Member	December 2014

Superintendent and Administrative Personnel

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for the day-to-day management of the District's operations and supervises the work of other key District employees. Dr. Fred Brill has served as the

District Superintendent since 2013. Dr. Lowell Shira has served as the Assistant Superintendent, Business Services since 2002, and is retiring effective October 31, 2014. The Board of Education has selected a successor who will assume the position following Dr. Shira's retirement.

Enrollment

The District's overall enrollment has remained relatively stable in recent years. Recent growth at the elementary level in the past few years is expected to result in overall stable enrollment in the next few years. The following table shows enrollment history (excluding charter schools) for the District for the last three fiscal years, with projected figures through fiscal year 2015-16.

SAN LORENZO UNIFIED SCHOOL DISTRICT
Annual Enrollment

School Year	Enrollment	% Change
2009-10	11,148	--
2010-11	11,052	(0.86)
2011-12	11,262	1.90
2012-13	11,378	1.03
2013-14	11,370	(0.07)
2014-15*	11,100	(2.37)
2015-16†	10,917	(1.64)

**Estimate.*
†Projected.
Source: San Lorenzo Unified School District.

Employee Relations

The District currently employs approximately 608.3 (non-management) full-time certificated professionals, 325 full-time classified (non-management) employees and 52.5 management, supervisor and confidential FTE professionals. In addition, the District employs a number of part-time facility and staff. Most District employees are represented by one of three recognized unions. Historically, the District's relations with these three unions has been favorable, and bargaining has been highly successful for several years with all unions.

Most certified employees are represented by the San Lorenzo Education Association. The California School Employees Association represents classified, clerical, and instructional aid employees (with the exception of those holding management, confidential and supervisory positions, who are not represented). Service Employees International Union represents classified maintenance workers, groundsmen, campus supervisors and nutrition services staff.

SAN LORENZO UNIFIED SCHOOL DISTRICT
CONTRACTS WITH BARGAINING UNITS

Bargaining Unit	Type of Employee Represented	Expiration Date
San Lorenzo Education Association	Certificated	06/30/2014*
California School Employees' Association	Classified	06/30/2016
Service Employees International Union	Classified	06/30/2015

**For contracts which have expired, District operates pursuant to expired contract terms until negotiations are finalized. Contract expected to be settled by December 2014.*
Source: San Lorenzo Unified School District.

Pension Plans

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"**).

STRS. The District participates in STRS. This plan covers basically all full-time certificated employees. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teacher's Retirement Law. Active plan members are required to contribute 8.0% of their salary and the District is to contribute a legislatively determined rate, which was 8.0% of payroll for the 2012-13 fiscal year.

New Legislation Regarding STRS Contributions Implemented in FY 2014-15. In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 (**"AB 1469"**), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan (see below section entitled "State Pension Trusts"). AB 1469 addresses the funding gap by increasing contributions of plan members, employers (including the District) and the State commencing in fiscal year 2014-15. Pursuant to AB 1469, employer contribution rates to the STRS plan will increase over the next seven years, from the contribution rate of 8.25% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046. STRS employer contribution rates under AB 1469 for fiscal years 2014-15 through 2020-21 are summarized in the following table.

AB 1469 STRS Employer Contribution Rates

Fiscal Year	% Increase From FY 2013-14 Rate* Under AB 1469	Total Contribution Rate
2014-15	0.63%	8.88%
2015-16	2.48	10.73
2016-17	4.33	12.58
2017-18	6.18	14.43
2018-19	8.03	16.28
2019-20	9.88	18.13
2020-21	10.85	19.10

**Fiscal year 2013-14 rate of 8.25%.*

The table below shows the District's historic and budgeted contributions to STRS during a five-year period.

STRS Contributions
San Lorenzo Unified School District

Fiscal Year	Amount
2010-11	$3,530,818
2011-12	3,665,039
2012-13	3,668,897
2013-14*	4,067,531
2014-15**	4,183,784

** Estimated actual.*
*** Budgeted at the 9.5% rate proposed in the Governor's May Revision.*
Source: San Lorenzo Unified School District.

PERS. The District also participates in PERS (**"PERS"**), an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of a "cost-sharing" pool within PERS. Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate (11.442% for fiscal year 2013-14 and 11.771% for 2014-15). One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to each.

On February 18, 2014, the PERS board adopted changes to the current asset allocation, changes to the actuarial assumptions, and approved a financing method which determines when these changes will impact employer contributions. The new assumptions will be implemented in the June 30, 2015 actuarial valuation, setting employer contribution rates effective July 1, 2016. Projected employer contribution rates for school districts are as follows:

Projected PERS Employer Contribution Rates for School Districts

Fiscal Year	Projected Rate
2014-15	11.7%
2015-16	12.6
2016-17	15.0
2017-18	16.6
2018-19	18.2
2019-20	19.9
2020-21	20.4

Source: California Public Employees' Retirement System

The table below shows the District's historic and budgeted contributions to PERS during a five-year period.

PERS Contributions
San Lorenzo Unified School District

Fiscal Year	Amount
2010-11	$1,486,744
2011-12	1,560,435
2012-13	1,633,182
2013-14*	1,510,094
2014-15**	1,623,825

** Estimated actual.*
*** Budgeted.*
Source: San Lorenzo Unified School District.

State Pensions Trusts. Both the PERS and STRS systems are operated on a statewide basis. District contribution rates to PERS can vary annually depending on changes in actuarial assumptions and other factors, such as liability. Contributions to STRS can only be changed legislatively. Both PERS and STRS have substantial State unfunded actuarial liabilities, being $57 billion for PERS as of June 30, 2012 (the date of the last actuarial valuation for PERS) and $73.7 billion for STRS as of June 30, 2013 (the date of the last actuarial valuation for STRS).

Both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. However, information in the financial reports and on the websites is not incorporated in this Official Statement by reference. See also the following paragraph on recent pension reform legislation.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, a bill that enacted the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**") and amends various sections of the California Education and Government Codes. AB 340 (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual PERS and STRS pension benefit payouts, (iii) addresses numerous abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension

benefits. PEPRA applies to all public employers except the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of AB 340 went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on that date and after; existing employees who are members of employee associations, including employee associations of the District, will have a five-year window to negotiate compliance with AB 340 through collective bargaining. If no agreement is reached by January 1, 2018, a city, public agency or school district could require employees to pay a portion of the costs of PERS pension benefits.

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

With respect to STRS, for employees hired after January 1, 2013, future members will pay the greater of either (1) at least 50% of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by current members. The member contribution rate could be increased from this level through collective bargaining or may be adjusted base don other factors. Public employers will pay at least the normal cost rate, after subtracting the member's contribution.

More information about AB 340 can be accessed through the PERS's web site at www.calpers.ca.gov/index.jsp?bc=/member/retirement/pension-reform-impacts.xml&pst=ACT&pca=ST and through the STRS web site at http://www.calstrs.com/Newsroom/whats_new/AB340_detailed_impact_analysis.pdf. *The references to these internet websites are shown for reference and convenience only; the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

Other Post-Employment Benefits

The District's other post-employment retirement benefit plan (**"OPEB"**) is a single-employer defined benefit plan administered by the District. The plan provides health, dental and vision care to eligible retirees and spouses, based on years of service and bargaining group. OPEB benefits apply to eligible employees until the age of 65, except for some upper level administrative staff members which continue to have such benefits beyond the age of 65.

The District Board establishes the contribution requirements, which are currently based on pay-as-you-go requirements, with an amount to fund the actuarial accrued liability as determined annually by the Board. For fiscal year ending June 30, 2013, the District contributed $416,749 to the plan.

The Governmental Accounting Standards Board ("**GASB**") has published Statement No. 45 which requires the District, in its annual financial statements, to account for post-employment benefits other than pension benefits. The District's annual OPEB cost is calculated based on

the annual required contribution of the employer ("ARC"), an amount which is actuarially determined in accordance with the parameters of the GASB Statement No. 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the 2012-13 fiscal year.

SAN LORENZO UNIFIED SCHOOL DISTRICT
NET OPEB OBLIGATION
Year Ending June 30, 2013

Annual required contribution	$950,000
Interest on net OPEB obligation	299,177
Adjustment to annual required contribution	(254,000)
Annual OPEB cost (expense)	995,177
Contributions made	416,749
Increase in net OBEP Obligation	578,428
Net OPEB Obligation – beginning of year	6,648,375
Net OPEB Obligation – end of year	$7,226,803

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2010 through 2013 were as follows:

SAN LORENZO UNIFIED SCHOOL DISTRICT
ANNUAL OPEB COST, % CONTRIBUTED AND NET OPEB OBLIGATION
Years Ending June 30, 2010 through 2013

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$1,998,018	33.2%	$3,674,361
June 30, 2011	2,124,000	48.5	4,767,838
June 30, 2012	2,197,392	14.4	6,648,375
June 30, 2013	995,177	41.9	7,226,803

As of July 1, 2012, the most recent actuarial report, the Plan was unfunded. The actuarial accrued liability for benefits was $9,598,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (**"UAAL"**) of $9,598,000. For fiscal year 2012-13, the covered payroll was $57,559,183, and the ratio of the UAAL to the covered payroll was 17%. The actuarial valuation used the entry age actuarial cost method, and included an annual healthcare cost trend rate of 10% initially, reduced by decrements of 0.5% each year until an ultimate trend rate of 5% is reached. The remaining amortization was 30 years at July 1, 2012

See "APPENDIX A –AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2012-13 - Note 8 - Other Postemployment Benefits."

District Insurance Coverage

The District participates with other districts in joint powers agreements ("**JPAs**"). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes. Following is a summary of the JPAs.

- South County Transportation Group- An eleven member group providing special education transportation.

- The Audio-Visual Group- All Alameda County school districts are members. Its function is to repair and maintain audio visual equipment.

- Mid-Alameda County Schools Education Local Area Plan- A four member group providing special education programs.

- Hayward Area Shoreline Planning Agency- a five member shoreline environmental protection and education group.

- Eden Area Regional Occupational Program- a four member JPA which provides occupational training for participating students.

The JPAs are governed by boards consisting of a representative of each member district. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation I the JPAs.

DISTRICT FINANCIAL INFORMATION

The information in this and other sections concerning the District's operations and operating budget 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 Series D Bonds is payable from the General Fund of the District. The Series D Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof.

Education Funding Generally

School districts in California receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the average daily attendance ("**ADA**") for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were 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 was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues.

The fiscal year 2013-14 State budget package replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (the **"LCFF"**). Under the LCFF, revenue limits and most of the over forty state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is $2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.

- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 22.5% of a local education agency's base grant, based on the number of English learners, students from low-income

families and foster youth served by the local agency that comprise more than 55% of enrollment.

- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and will be phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**")), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap. Based on revenue projections, districts will reach what is referred to as "full funding" in eight years, being fiscal year 2020-21. This projection assumes that the State's economy will improve each year; if the economy falters it could take longer to reach full funding. During the transition period, the State is only partially funding the difference between 2012-13 funding levels (the "Hold Harmless" level described below) and the LCFF funding target. The level of funding provided between the Hold Harmless Funding and the LCFF Target is referred to as the "gap funding level."

Target LCFF amounts for State school districts and charter schools based on grade levels and Targeted Students is shown below.

Grade Span Funding at Full LCFF Implementation (Target Amount)

Grade Span	Base Grant[(1)]	K-3 Class Size Reduction and 9-12 Adjustments	Average Assuming 0% Targeted Students	Average Assuming 25% Targeted Students	Average Assuming 50% Targeted Students	Average Assuming 100% Targeted Students
K-3	$6,845	$712	$7,557	$7,935	$8,313	$10,769
4-6	6,947	N/A	6,947	7,294	7,642	9,899
7-8	7,154	N/A	7,154	7,512	7,869	10,194
9-12	8,289	$216	8,505	8,930	9,355	12,119

(1) Does not include adjustments for cost of living.
Source: California Department of Education.

The new legislation includes a "hold harmless" provision which provides that a district or charter school will maintain total revenue limit and categorical funding at least equal to its 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their

jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the 2013-14 Budget created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

District Accounting Practices

Accounting Practices. The District's fiscal year begins on July 1 and ends on June 30. The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the State of California Education Code, is to be followed by all California school districts.

Measurement Focus and Basis of Accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues when all eligibility requirements imposed by the provider have been met.

Governmental and fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenses generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenses, as well as expenses related to the compensated absences and claims and judgments, are recorded only when payment is due.

Financial Statements

General. The District's independent auditor for fiscal year 2012-13 was Crowe Horwath LLP, Sacramento, California. The District's audited financial statements for the year ended June 30, 2013 are included as Appendix A hereto. The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the District.

Audited General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited fund balance, revenues and expenses statements for the District for the fiscal years 2008-09 through 2012-13.

SAN LORENZO UNIFIED SCHOOL DISTRICT
Audited General Fund Revenues, Expenses and Changes in Fund Balance
Fiscal Years 2008-09 through 2012-13

	2008-09 Audited	2009-10 Audited	2010-11 Audited	2011-12 Audited	2012-13 Audited
Revenues					
Revenue Limit[1]	1				
State apportionment	$48,004,956	$39,713,994	$42,826,594	$42,690,845	$38,065,853
Local sources	14,694,358	15,425,486	13,902,328	15,128,874	19,885,260
Total revenue limit	62,699,314	55,139,480	56,728,922	57,819,719	57,951,113
Federal Revenue	10,695,725	8,763,067	9,252,974	7,912,315	6,453,559
Other State Revenue	13,838,372	18,950,968	15,976,305	15,406,987	16,268,750
Other Local Revenue	7,687,537	6,924,078	8,039,902	7,109,125	6,809,191
Total Revenue	94,920,948	89,777,593	89,998,103	88,248,146	87,482,613
Expenditures					
Certificated Salaries	48,789,406	45,872,419	42,067,434	43,889,427	43,916,329
Classified Salaries	14,051,289	13,367,955	13,169,008	13,398,353	13,345,617
Employee Benefits	15,394,334	14,676,496	14,595,034	14,517,686	14,544,225
Books & Supplies	3,265,629	3,022,368	3,088,097	2,730,131	2,705,763
Services & Other Operating Expenses	10,252,601	9,535,118	9,118,741	8,844,659	9,112,088
Capital Outlay	53,492	337,630	111,281	134,648	107,694
Other Outgo	2,233,492	1,556,184	2,713,372	2,046,348	2,003,454
Total Expenditures	94,040,243	88,368,170	84,862,967	85,561,252	85,735,170
Excess of Revenues Over (Under) Expenditures	880,705	1,409,423	5,135,136	2,686,894	1,747,443
Other Financing Sources (Uses)					
Operating Transfer In	457,162	2,200,037	407,186	426,805	350,857
Operating Transfer Out	(1,778,844)	(1,958,940)	(1,113,064)	(613,064)	(613,064)
Total Other Sources & Uses	(1,321,682)	241,097	(705,878)	(186,259)	(262,207)
Net Change in Fund Balance	(440,977)	1,650,520	4,429,258	2,500,635	1,485,236
Fund Balance, Beginning of Year[2]	9,474,439	9,033,462	10,731,388	15,160,646	17,661,281
Fund Balance, End of Year	$9,033,462	$10,683,982	$15,160,646	$17,661,281	$19,146,517

(1) Revenue limit funding was replaced by the Local Control Funding Formula model of education funding commencing in fiscal year 2013-14. See the next table for Unaudited Actuals for fiscal year 2013-14 and Budgeted figures for fiscal year 2014-15.
(2) Beginning fund balance was adjusted in fiscal year 2010-11 due to the implementation of GASB Statement No. 54.
Source: San Lorenzo Unified School District.

District Budget and Interim Reporting

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

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State-mandated

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

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

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

Interim Certifications Regarding Ability to Meet Financial Obligations. 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 fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or subsequent two fiscal years.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable.

District's Budget Approval/Disapproval and Certification History. The District has not received any qualified or negative certifications of its financial reports since receiving a qualified First Interim Report for Fiscal Year 2009-10, nor have any of its budgets been disapproved. The District's most recent interim report, the Second Interim for fiscal year 2013-14, received a positive certification.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at San Lorenzo Unified School District, 15510 Usher Avenue, San Lorenzo, California 94580; telephone (510) 317-4600. The District may impose charges for copying, mailing and handling.

District's Fiscal Year 2013-14 Unaudited Actuals and 2014-15 Budgeted General Fund. The District's fiscal year 2014-15 Budget was adopted by the Board on June 17, 2014, and unaudited actuals for fiscal year 2013-14 were approved in September, 2014. The following table shows the income and expense statements for the District for fiscal year 2013-14 (unaudited actuals), along with budgeted figures for fiscal year 2014-15.

SAN LORENZO UNIFIED SCHOOL DISTRICT
General Fund Revenues and Expenses*
2013-14 Unaudited Actuals and 2014-15 Adopted Budget

	Unaudited Actuals 2013-14	Budgeted 2014-15
Revenues		
LCFF Funding	$74,801,884	$84,080,004
Federal revenues	5,553,417	4,914,942
Other state revenues	6,946,397	4,540,761
Other local revenues	6,674,613	5,941,279
Total Revenues	93,976,311	99,476,986
Expenses		
Certificated Salaries	48,895,869	51,689,368
Classified Salaries	14,481,391	14,789,228
Employee Benefits	14,812,906	15,518,391
Books and Supplies	3,923,511	6,228,373
Services and Other Operating Expenses	9,741,839	8,931,386
Capital Outlay	87,135	35,065
Other Outgo	2,018,961	2,038,159
Transfers of Indirect Costs	(296,314)	(405,829)
Total Expenses	93,665,298	98,824,141
Excess of Revenues Over/(Under) Expenses	311,013	652,845
Other Financing Sources (Uses)		
Operating Transfers In	130,000	130,000
Operating Transfers Out	1,413,064	(1,203,064)
Total Other Financing Sources (Uses)	(1,283,064)	(1,073,064)
Net Change in Fund Balance	(972,051)	(420,219)
Fund Balance, July 1[(1)]	17,502,009	16,529,957
Fund Balance, June 30	$16,529,957	$16,109,738

**Figures may not foot due to rounding.*
(1) As presented in Unaudited Actuals for fiscal year 2013-14. Beginning fund balance does not directly correspond to ending balance presented in Audited Financial Statements (as shown on the previous table) because the Unaudited Actuals and Budget account separately for reserves, while such reserves are included in the Audited Financial Statement ending balances
Source: San Lorenzo Unified School District.

Impact of LCFF on District Finances Generally. Implementation of funding under the LCFF has resulted in increased State funding for the District in the current and budgeted fiscal years. The District has a 73 percent unduplicated count of Targeted Students resulting in State funding of the base grant as well as supplemental and concentration grant funding. Increase in

LCFF funding was $6.5 million in fiscal year 2013-14 and is expected to be approximately $9 million in the next two fiscal years.

Assumptions Used with Respect to Fiscal Year 2014-15 Budget. The Fiscal Year 2014-15 Budget includes the following assumptions: (1) Gap funding (being the gap between the District's LCFF Target and the "Hold Harmless" provision of LCFF) factor estimated as 28.06%, (ii) LCFF Revenue growth by $9 million of which approximately $5 million will be applied to the supplemental and concentration grant program (to improve or increase services for identified students), with the remainder for the base program, (iii) average ADA rate for the past three years for each grade span underlies LCFF funding projection, (iv) District will supplement its supplemental and concentration grant program with $3.2 million in one-time reserves in 2014-15, (v) increase in certificates staff of 9 FTE due to enrollment increase and class size reduction, and (vi) increase of $585,000 in STRS contribution budgeted as assigned reserve.

District Reserve Levels. The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances, and lastly, unassigned fund balances.

The District is generally required to maintain a reserve for economic uncertainty equal to or greater than 3% of expenditures. The District has established a minimum fund balance policy requiring a Reserve for Economic Uncertainties in the General Fund of no less that 6% of expenditures, outgo and other financing uses. The District has met this 6% requirement for the past 4 fiscal years.

In connection with the State's fiscal year 2014-15 Budget, a constitutional amendment will be presented to State voters at the November 4, 2014 general election. See the discussion herein under the heading "- 2014-15 Adopted State Budget." The amendment establishes a rainy day fund for the State, as well as a Proposition 98 reserve to attempt to minimize large fluctuations from year to year in the State's education spending. If approved by voters, related legislation will become effective that could limit the amount of reserves maintained by the District. The District cannot predict how this legislation will impact its reserves and future spending.

District Response to State Reductions in Education Funding. In order to respond to State cuts to funding in education in recent years (see "- Recent State Budgets" herein), the District responded by cutting expenditures, including eliminating teaching, classified and management positions and invoking furlough days for management and classified employees, applied for and received federal stimulus funds, and utilized temporary budgeting flexibility permitted by the State. In part as a result of the LCFF, the District does not expect to need to make any reductions in the immediate future.

Attendance - Revenue Limit and LCFF Funding

As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of average daily attendance (**"ADA"**). With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. However, the District has a low proportion of English language learners, students from low-income families and foster youth, and as a result has received and expects to continue to receive base grant funding, but not supplemental funding or concentration grant funding under the LCFF.

The following table sets forth historical ADA and the funded revenue limit for the District from fiscal year 2008-09 through fiscal year 2012-13, prior to implementation of the LCFF.

AVERAGE DAILY ATTENDANCE AND FUNDED REVENUE LIMIT
Fiscal Years 2005-06 through 2012-13
San Lorenzo Unified School District

Fiscal Year	P-2 ADA	Funded Revenue Limit per ADA
2008-09	10,804	$10,803.42
2009-10	10,545	10,731.60
2010-11	10,495	10,504.18
2011-12	10,712	10,712.02
2012-13	10,801	10,798.47

Source: San Lorenzo Unified School District.

The LCFF was implemented beginning in fiscal year 2013-14. The following table sets forth LCFF funding for the District for fiscal year 2013-14 and 2014-15 (Budgeted).

AVERAGE DAILY ATTENDANCE AND STATE FUNDING UNDER LCFF
Fiscal Years 2013-14 and 2014-15
San Lorenzo Unified School District

Fiscal Year	ADA[(1)]	LCFF "Phase-In" Entitlement Per ADA[(2)]	% of Target Student Enrollment Under LCFF
2013-14	10,811	$10,811.58	73%
2014-15	10,872	10,871.80	73%

(1) P2- for FY 2013-14; Budgeted FY 2014-15.
(2) Represents an average across grade spans; includes entitlement under LCFF for both supplemental and concentration grant funding.
Source: San Lorenzo Unified School District.

Revenue Sources

The District categorizes its general fund revenues into four sources, each of these sources is described in more detail below.

SAN LORENZO UNIFIED SCHOOL DISTRICT
District Revenue Sources

	Percentage of Total District General Fund Revenues				
Revenue Source	**2010-11**	**2011-12**	**2012-13**	**2013-14[1]**	**2014-15[1]**
Revenue limit/LCFF[2]	63.0%	65.5%	66.2%	79.5%	84.5%
Federal revenues	10.3	9.0	7.4	6.1	4.9
Other State revenues	17.8	17.5	18.6	7.5	4.6
Other local revenues [3]	8.9	8.1	7.8	7.0	6.0

(1) 2013-14 Unaudited Actual; 2014-15 Budgeted
Source: San Lorenzo Unified School District.

LCFF Sources. District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the District's LCFF funding entitlement 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 principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under No Child Left Behind, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

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 revenues.

The District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the

financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instruction material.

For additional discussion of State aid to school districts, see "-State Funding of Education."

***Other Local Revenues*.** In addition to local property taxes, the District receives additional local revenues from items such as interest earnings and other local sources.

Long-Term Borrowing

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

General Obligation Bonds. The District currently has general obligation bonds outstanding pursuant to its 2004 Bond Authorization and its 2008 Bond Authorization. This includes one series of refunding general obligation bonds. Below are short descriptions of each. See "DEBT SERVICE SCHEDULES" in the body of this Official Statement for the future debt service (assuming no optional redemptions) due on the District's outstanding general obligation bonds.

> ***2004 GO Bond Authorization.*** Pursuant to the 2004 Authorization, in April 2005 the District issued its General Obligation Bonds, 2004 Election, Series A in the original aggregate principal amount of $20,000,000 (which were refunded with 2013 General Obligation Refunding Bond proceeds), and in May 2007 the District issued its General Obligation Bonds, 2004 Election, Series B in the aggregate principal amount of $29,000,000.
>
> ***2008 GO Bond Authorization.*** Pursuant to the 2008 Authorization, in May 2009 the District issued its General Obligation Bonds, Election of 2008, Series A Bonds in the aggregate principal amount of $26,000,000. In April 2011 the District issued its General Obligation Bonds, Election of 2008, Series B in the aggregate principal amount of $27,725,000, and in May 2013 the District issued its General Obligation Bonds, Election of 2008, Series C in the aggregate principal amount of $11,500,000.

Certificates of Participation. On September 21, 2006, the District issued $9,600,000 principal amount of certificates of participation (the "**2006 COPs**"). The proceeds of the 2006 COPs were used to finance the construction of a central kitchen serving the District together with the expansion of related warehouse facilities, the construction of gymnasiums located at certain middle schools in the District, and the construction of improvements to the District's existing administrative offices. The 2006 COPs mature through February 1, 2026, and have interest rates ranging from 4.00% to 4.375%. The current outstanding balance of the 2006 COPs is $8,735,000.

Other Long-Term Liabilities

See "GENERAL INFORMATION ABOUT THE DISTRICT - District Retirement Systems" and "-Other Post-Employment Benefits" herein.

Investment of District Funds

In accordance with Government Code Section 53600 *et seq*., the Alameda County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. For further information concerning County investments, access the County's website: www.kcttc.co.Alameda.ca.us. Investment information can be found under the link to Financial Services. The information contained in such website has not been reviewed by the District or the Purchasers and is not incorporated in this Official Statement by reference. See "APPENDIX G - ALAMEDA COUNTY INVESTMENT POLICY AND MONTHLY REPORT."

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

State Funding of Education

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. The primary source of funding for school districts is funding under the LCFF, which is a combination of State funds and local property taxes (see "DISTRICT FINANCIAL INFORMATION – Education Funding Generally" above). State funds typically make up the majority of a district's LCFF entitlement

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District, the County, nor the Underwriter is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. The Governor may

reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each house of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each house of the Legislature, and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets

Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

1. The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

2. The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

3. The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.

4. The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes

deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2014-15 State Budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 6, 2012 statewide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State Budget again be stressed and if projections included in such budget do not materialize.

2013-14 State Budget: Significant Change in Education Funding. As described previously herein, the 2013-14 State Budget and its related implementing legislation enacted significant reforms to the State's system of K-12 education finance with the enactment of the LCFF. Significant reforms such as the LCFF and other changes in law may have significant impacts on the District's finances.

2014-15 Adopted State Budget

On June 20, 2014, Governor Brown approved the 2014-15 Budget Act (the **"2014-15 Budget"**), projecting $108 billion in general fund revenues, which is $7.3 million more in general fund revenues than in fiscal year 2013-14. The 2014-15 Budget is balanced and projects paying down more than $10 billion in unprecedented amounts of budgetary debt from past years, including paying down deferral of payments to schools by $5 billion, paying off Economic Recovery Bonds, repaying various special fund loans, and funding $100 million in mandate claims that have been owed to local governments since 2004. The budgetary deficit is projected to be reduced to below $5 billion by the end of 2016-17. The fiscal year begins with a 2014-15 State Budget reserve of $2 billion dollars, including $1.6 billion in the State's Budget Stabilization Account, also known as the State's rainy day fund. Temporary revenues provided by the passage of Proposition 30 (Sales and Income Tax Revenue Increase approved by State voters at an election held on November 8, 2011) and spending cuts have allowed for continued economic growth in the State. The 2014-15 State Budget also contains triggers allowing for additional spending, if various revenue benchmarks are exceeded. If revenues surpass certain estimates, then the 2014-15 Budget calls for more funds to be applied to higher education and to pay down debt. Certain highlights of the 2014-15 Budget are described below.

Plan for Reducing STRS Unfunded Liability. The California State Teachers' Retirement System ("**STRS**") has funded significant unfunded liability. Without changes to how the system is funded, STRS is expected to run out of money in about 33 years. To prevent this, the 2014-15 Budget sets forth a plan that shares responsibility among the school districts, the State, and teachers to better fund STRS. Increased contributions for the first year from all three of these sources will total $275 million. Contributions will increase in subsequent years, reaching more than $5 billion annually. This plan is projected to eliminate unfunded liability by 2046.

Constitutional Amendment on November, 2014 Ballot: Rainy Day Fund. The 2014-15 State Budget includes a proposed constitutional amendment which will be placed before State voters in November, 2014. The measure, upon approval, would alter the State's existing requirements for the Budget Stabilization Account, the State's existing rainy day account. If approved, this amendment would:

- Require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues, and would set the maximum size of the Rainy Day Fund at 10% of State general fund revenues.

- Require half of each year's deposit for the next 15 years be used for supplemental payments of debt or other long-term liabilities.

- Allow for withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years. The maximum amount that could be withdrawn in the first year of a recession would be limited to half of the Rainy Day Fund's balance.

- Require that the State provide a multiyear budget forecast to better manage the State's long-term finances.

- Create a Proposition 98 reserve, known as the Public School System Stabilization Account, where spikes in funding would be saved for future years. This is intended to smooth school spending and minimize future cuts to education funding.

In addition, if approved in November, additional legislation will become effective which could limit the amount school districts may maintain in reserves. Specifically, the legislation provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the Public School System Stabilization Account, a school district may not adopt a budget that contains a reserve in excess of twice the applicable minimum reserve amount, which for the District is 2%.

K - 12 Budget Adjustments. The 2014-15 State Budget includes total funding of $76.6 billion ($45.3 billion general fund and $31.3 billion other funds) for all K-12 education programs. Proposition 98 funding has contributed $10 billion to the total funding amount and the 2014-15 State Budget provides $1,954 more per K-12 student in 2014-15 than was provided in 2011-12. The 2014-15 State Budget also provides $4.7 billion for the second year of implementing the LCFF and continues to commit most new funding to districts serving English language learners, students from low-income families, and youth in foster care. The Education Budget Trailer Bill ("**SB 858**") is included in the 2014-15 State Budget and contains two separate provisions that have the potential to affect district reserve funds. In addition, the 2014-15 State Budget includes the following:

- Local Control Funding Formula. The 2014-15 State Budget contains an increase of $4.75 billion in the Proposition 98 funding to continue the State's transition to the LCFF. This increase will close the remaining funding implementation gap by more than 29%. Additionally, the 2014-15 State Budget addresses an administrative problem related to the collection of income eligibility forms that are used to determine student eligibility for free or reduced-price meals.

- K-12 Deferrals. The 2014-15 State Budget repays nearly $4.7 billion in Proposition 98 funding for K-12 expenses that had been deferred from one year to the next during the past few years. This repayment will leave an outstanding balance of less than $900 million in K-12 deferrals. The 2014-15 State Budget

also contains a trigger mechanism that will appropriate any additional funding resources attributable to the 2013-14 and 2014-15 fiscal years subsequent to the enactment of the 2014-15 State Budget for the purpose of retiring the remaining $900 million in K-12 deferrals.

- Independent Study. The 2014-15 State Budget reduces administrative burdens and frees up time for teachers to spend on student instruction and support, making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.

- K-12 Mandates. The 2014-15 State Budget provides $400.5 million in one-time Proposition 98 funding to reimburse K-12 local educational agencies for the costs of state-mandated programs. These funds will make a significant down payment on outstanding mandate debt, while providing school districts, county offices of education, and charter schools with discretionary resources to support critical investments such as Common Core implementation.

- K-12 High-Speed Internet Access. The 2014-15 State Budget increases the one-time Proposition 98 funding for the K-12 High Speed Network by $26.7 million. This fund provides technical assistance and grants to local educational agencies to address the technology requirements necessary for Common Core implementation.

- Career Technical Education Pathways Program. The 2014-15 State Budget increases by $250 million the one-time Proposition 98 funding to support a second cohort of competitive grants for participating K-12 local educational agencies. Established in the 2013 Budget Act, the Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools and community colleges.

Higher Education and Healthcare. The 2014-15 State Budget includes total funding of $26.2 billion ($14.7 billion general fund and local property tax and $11.5 billion other funds). It also provides for up to a 20% increase in general fund appropriations over a four-year period. The 2014-15 Budget includes a 5% increase in 2014-15 for each university system, which equals $284 million total. Regarding healthcare, the State's adoption of the optional expansion of Medi-Cal under the federal law known as the Affordable Care Act created major new spending commitments. The 2014-15 Budget assumes an additional Medi-Cal caseload of 2.5 million individuals and a rise in costs of $2.4 billion over fiscal year 2012-13.

Emergency Drought Response. On January 17, 2014, Governor Brown proclaimed a state of emergency due to the severe drought conditions faced by the State. Legislation was enacted in February which provided $687.4 million to support drought relief. The 2014-15 State Budget includes additional one-time resources to continue immediate drought-related efforts started in 2014, such as an increase of $53.8 million from the State's general fund and $12.2 million other funds for firefighting efforts, and an increase of $18.1 million from the State's general fund to aid in assessing water conditions and provide public outreach regarding water conservation.

Numerous Factors Affecting Budget and Projections. The execution of the 2014-15 State Budget may be affected by numerous factors, including but not limited to: (i) shifts of costs

from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risk associated with spending reductions, including the elimination of redevelopment agencies, (iv) rising health care costs (v) large unfunded liabilities for retired State employee's pensions and healthcare, (vi) deferred maintenance of State's critical infrastructure and (vii) other factors, all or any of which could cause the revenue and spending projections made in 2014-15 State Budget to be unattainable. The District cannot predict the impact that the 2014-15 State Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the District cannot predict the accuracy of any projections made in the State's 2014-15 State Budget.

The complete 2014-15 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Series D Bonds

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its budgets.

The State has not entered into any contractual commitment with the District, the County, or the Owners of the Series C Bonds to provide State budget information to the District or the owners of the Series C Bonds. Although they believe the State sources of information listed above are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State Budget information set forth or referred to in this Official Statement or incorporated herein. However, the Series C Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in recent years, and is likely to be further challenged in the future. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "-State Funding of Education" and "-Recent State Budgets" above.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Series A Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111 and 218, 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 Elementary School District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the Elementary School District to levy taxes for payment of the Series A Bonds. The tax levied by the County for payment of the Series A Bonds was approved by the Elementary School District's voters in compliance with Article XIIIA and all applicable laws.

Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues, there shall be first set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. School districts receive a significant portion of their funding from State appropriations. As a result, decreases and increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

Article XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) 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 (which provided the authority for the issuance of the Refunded Bonds), and (iii) (as a result of an amendment to Article XIIIA approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

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 1979.

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

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Article XIIIB of the California Constitution

Article XIIIB (**"Article XIIIB"**) of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIIIB, as amended.

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

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

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years. However, in the event that a school district's revenues exceed its spending limit, the district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution.

Unitary Property

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

Articles XIIIC and XIIID

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIIC 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.

Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay Lease Payments and therefore debt service on the Notes.

Proposition 98

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

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base

funding calculation for K 14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to K 14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Proposition 111

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

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

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

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

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

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

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

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as **"Proposition 39"**) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55 percent (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1 percent limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, community college districts, including the District, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1 percent of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55 percent of the voters. These provisions require that the tax rate levied as the result of any single election be no more than $60 (for a unified school district), $30 (for an elementary school district or high school district), or $25 (for a community college district), per $100,000 of taxable property value. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 30

Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as **"Proposition 30"**), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $680,000 for joint filers).

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "Proposition 98" and "Proposition 111" above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the **"EPA"**). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and

property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 111, 1A, 22, 26, 30 and 39 were each adopted as measures that qualified for the ballot under 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.

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APPENDIX C

GENERAL INFORMATION ABOUT ALAMEDA COUNTY

*The following information concerning Alameda County (the **"County"**) is included only for the purpose of supplying general information regarding the area of the District. The Series D Bonds are not a debt of the County, the State of California (the **"State"**) or any of its political subdivisions, and neither the County, the State nor any of its political subdivisions is liable therefor.*

General

The County of Alameda (the "**County**") is located on the east side of the San Francisco Bay, south of the City of Oakland and approximately ten miles west of the City of San Francisco. Access to San Francisco is provided by the San Francisco Bay Bridge. The northern part of Alameda County has direct access to San Francisco Bay and the City of San Francisco. It is highly diversified with residential areas, as well as traditional heavy industry, the University of California at Berkeley, the Port of Oakland, and sophisticated manufacturing, computer services and biotechnology firms. The middle of the County is also highly developed including older established residential and industrial areas. The southeastern corner of the County has seen strong growth in residential development and manufacturing. Many high-tech firms have moved from neighboring Silicon Valley in Santa Clara County to this area. The southwestern corner of the County has seen the most development in recent years due to land availability. Agriculture and the rural characteristics of this area are disappearing as the region maintains its position as the fastest growing residential, commercial and industrial part of the County.

Population

The following table lists population estimates for the County and the State for the last five calendar years, as of January 1.

ALAMEDA COUNTY
Population Estimates
Calendar Years 2010 through 2014 as of January 1

	2010	2011	2012	2013	2014
Alameda	73,717	74,052	74,544	75,197	75,988
Albany	18,481	18,345	18,467	18,446	18,472
Berkeley	112,363	113,925	114,688	115,814	117,372
Dublin	45,681	46,207	46,729	49,932	53,462
Emeryville	9,795	10,110	10,186	10,278	10,491
Fremont	213,524	215,391	217,416	220,133	223,972
Hayward	143,921	145,101	146,923	148,895	151,037
Livermore	80,932	81,547	82,293	83,404	84,852
Newark	42,592	42,700	42,985	43,383	43,856
Oakland	391,475	392,333	394,832	399,699	404,355
Piedmont	10,674	10,710	10,793	10,900	11,023
Pleasanton	70,135	70,537	71,176	71,939	73,067
San Leandro	84,831	85,364	85,941	86,748	87,691
Union City	69,625	69,746	70,554	71,396	72,155
Unincorporated County	141,494	141,688	142,649	143,955	145,461
County Total	1,509,240	1,517,756	1,530,176	1,550,119	1,573,254

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

Employment and Industry

The District is included in the Oakland-Fremont-Hayward Metropolitan District ("**MD**"). The unemployment rate in the Oakland-Fremont-Hayward MD was 6.4 percent in July 2014, up from a revised 5.9 percent in June 2014, and below the year-ago estimate of 7.8 percent. This compares with an unadjusted unemployment rate of 7.8 percent for California and 6.5 percent for the nation during the same period. The unemployment rate was 6.4 percent in Alameda County, and 6.4 percent in Contra Costa County.

The table below provides information about employment by industry type for Alameda and Contra Costa Counties for calendar years 2009 through 2013. Annual figures are not yet available for the calendar year 2014.

OAKLAND-FREMONT-HAYWARD METROPOLITAN DIVISION
(Alameda and Contra Costa Counties)
Annual Average Civilian Labor Force, Employment and Unemployment, Employment by Industry
(March 2013 Benchmark)

	2009	2010	2011	2012	2013
Civilian Labor Force [1]	1,286,600	1,286,800	1,294,900	1,314,100	1,322,000
Employment	1,153,300	1,142,500	1,161,000	1,196,400	1,224,100
Unemployment	133,300	144,300	133,900	117,700	97,900
Unemployment Rate	10.4%	11.2%	10.3%	9.0%	7.4%
Wage and Salary Employment: [2]					
Agriculture	1,400	1,400	1,500	1,500	1,500
Mining and Logging	1,200	1,200	1,200	1,200	1,200
Construction	53,500	47,400	47,600	52,000	56,100
Manufacturing	80,500	77,400	78,300	78,300	78,600
Wholesale Trade	43,700	41,800	42,100	43,600	45,000
Retail Trade	102,100	100,300	101,100	103,800	106,900
Transportation, Warehousing, Utilities	33,200	31,500	32,200	32,900	33,500
Information	25,300	23,600	22,600	22,000	21,400
Finance and Insurance	32,500	33,000	32,800	33,300	33,400
Real Estate and Rental and Leasing	15,500	15,200	14,900	15,400	16,200
Professional and Business Services	151,100	152,100	157,200	166,100	172,300
Educational and Health Services	152,600	153,300	153,200	160,100	171,000
Leisure and Hospitality	85,100	85,800	88,200	92,200	98,000
Other Services	34,700	35,000	35,700	36,300	37,000
Federal Government	16,700	15,800	14,600	14,200	13,800
State Government	39,000	38,100	38,300	38,500	38,900
Local Government	116,900	111,500	111,000	110,100	110,800
Total, All Industries [3]	985,100	964,300	972,400	1,001,400	1,035,300

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

The following table shows the major employers in the County as of September 2014, listed in alphabetical order.

ALAMEDA COUNTY
Major Employers
September 2014

Employer Name	Location	Industry
Alameda County Law Enforcement	Oakland	Sheriff
Alameda County Medical Ctr	Oakland	Hospitals
Alameda County Sheriff's Ofc	Oakland	Sheriff
Alta Bates Summit Medical Ctr	Oakland	Hospitals
Alta Bates Summit Medical Ctr	Berkeley	Hospitals
Bayer Corp	Berkeley	Drug Millers (Mfrs)
Berkeley Coin & Stamp	Berkeley	Coin Dealers Supplies & Etc
California State-East Bay	Hayward	Schools-Universities & Colleges Academic
Childrens Hospital Health Lbry	Oakland	Special Interest Libraries
Cooper Vision Inc	Pleasanton	Physicians & Surgeons Equip & Supls-Mfrs
East Bay Water	Oakland	Transit Lines
Highland Hospital	Oakland	Hospitals
Intel Corp	Fremont	Semiconductor Devices (Mfrs)
Kaiser Permanente Hospital	Hayward	Hospitals
Kaiser Permanente Medical Ctr	Oakland	Hospitals
Lawrence Berkeley National Lab	Berkeley	Physicians & Surgeons
Lawrence Livermore Natl Lab	Livermore	Small Arms Ammunition (Mfrs)
Oakland Police Patrol Div	Oakland	Police Departments
Residential & Student Svc Prog	Berkeley	Schools-Universities & Colleges Academic
Safeway Inc	Pleasanton	Grocers-Retail
Tesla Motors	Fremont	Automobile Repairing & Service
Transportation Dept-California	Oakland	State Government-Transportation Programs
University of Ca-Berkeley	Berkeley	Schools-Universities & Colleges Academic
Washington Hospital	Fremont	Hospitals
Waste Management	Oakland	Garbage Collection

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2014 2nd Edition.

Construction Activity

Provided below are the building permits and valuations for the County of Alameda for calendar years 2009 through 2013. Annual figures are not yet available for the calendar year 2014.

ALAMEDA COUNTY
Total Building Permit Valuations
(Valuations in Thousands)

	2009	2010	2011	2012	2013
Permit Valuation					
New Single-family	$227,982.5	$276,660.5	$269,312.8	$372,939.4	$451,279.5
New Multi-family	96,518.0	157,459.3	249,684.1	343,669.8	300,514.9
Res. Alterations/Additions	229,873.2	243,289.9	273,631.8	235,264.8	227,675.7
Total Residential	554,373.7	677,409.6	792,628.7	951,874.0	979,470.1
New Commercial	72,055.6	14,689.1	261,804.2	94,705.8	122,360.6
New Industrial	89,535.4	82,475.8	17,485.7	29,808.2	140,059.5
New Other	45,100.3	69,060.1	37,504.6	6,764.1	49,801.8
Com. Alterations/Additions	391,295.8	398,430.5	392,163.7	352,261.1	364,237.6
Total Nonresidential	$597,987.1	$564,655.4	$708,958.2	$483,539.2	$676,459.5
New Dwelling Units					
Single Family	802	907	817	1,119	1,339
Multiple Family	536	936	1,352	1,508	2,023
TOTAL	1,338	1,843	2,169	2,627	3,362

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

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

The following table summarizes the total Effective Buying Income for the County of Alameda, the State and the United States for the period 2009 through 2013. Effective buying Income data is not yet available for the calendar year 2014.

COUNTY OF ALAMEDA
Effective Buying Income
As of January 1, 2009 through 2013

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2009	Alameda County	$40,053,865	$57,997
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	Alameda County	$38,097,873	$54,734
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	Alameda County	$39,064,683	$54,542
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	Alameda County	$43,677,855	$55,396
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	Alameda County	$43,770,518	$57,467
	California	858,676,636	48,340
	United States	6,982,757,379	43,715

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

Commercial Activity

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2009 is not comparable to that of prior years. A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table.

Total taxable transactions during the first quarter of calendar year 2013 in the County were reported to be $6,037,144,000, a 3.77% increase over the total taxable transactions of $5,817,650,000 reported during the first quarter of calendar year 2012. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions within the County is presented in the following table. Annual figures are not yet available for 2013 or 2014.

COUNTY OF ALAMEDA
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	20,186	$14,547,749	41,783	$23,862,947
2009 (1)	24,596	12,641,415	38,663	20,430,195
2010 (1)	24,596	12,641,415	38,663	20,430,195
2011 (1)	24,809	14,519,756	38,577	23,430,799
2012 (1)	26,027	15,781,349	39,706	25,181,571

(1) Retail Stores sales not comparable to prior years. "Retail" category now includes "Food Services".
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Board of Education
San Lorenzo Unified School District
15510 Usher Street
San Lorenzo, California 94580

OPINION: $_____ San Lorenzo Unified School District
(Alameda County, California)
General Obligation Bonds, Election of 2008, Series D

Ladies and Gentlemen:

We have acted as bond counsel to the San Lorenzo Unified School District (the "District") in connection with the issuance by the District of its San Lorenzo Unified School District (Alameda County, California) General Obligation Bonds, Election of 2008, Series D, in the aggregate principal amount of $_____ (the "Bonds"). The Bonds have been authorized to be issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"), and a resolution of the Board of Education of the District (the "Board") adopted on September 16, 2013 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we have 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 Bond Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

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

1. The District is duly established and validly existing as a unified school district with the power to issue the Bonds, and to perform its obligations under the Bond Resolution and the Bonds.

2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the Board enforceable against the Board in accordance with its terms.

3. The Bonds have been duly authorized, executed and delivered by the District and are valid and binding general obligations of the District, and the Board of Supervisors of Alameda County is obligated and is authorized under the laws of the State of California to levy *ad valorem* taxes, without limit as to rate or amount (except with respect to certain personal

property which is taxable at limited rates), upon the taxable property in the District for the payment when due of the principal of and interest on the Bonds.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings, and the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Tax Code") such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable on the Bonds.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Tax Code which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes, and that the Bonds constitute "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Tax Code. The District has covenanted in the documents relating to the Bonds to comply with each of such requirements, and the District has full legal authority to make and comply with such covenants. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds, and may cause the Bonds to lose their status as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Tax Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$_____
SAN LORENZO UNIFIED
SCHOOL DISTRICT
(Alameda County, California)
General Obligation Bonds
Election of 2008, Series D
(Bank Qualified)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the San Lorenzo Unified School District (the "District") in connection with the issuance of the above-captioned bonds (the "Bonds"). The Bonds are being issued under a Resolution adopted by the Board of Education of the District on September 16, 2014 (the "Bond Resolution"). The District covenants and agrees as follows:

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

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

"*Annual Report*" means any Annual Report provided by the District under and as described in Sections 3 and 4.

"*Annual Report Date*" means the date that is nine months after the end of the District's fiscal year (currently March 31 based on the District's fiscal year end of June 30).

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

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

"*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.

"*Participating Underwriter*" means any of the original purchasers of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to provide, not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing no later than March 31, 2015 with the report for the 2013-14 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the 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). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

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

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

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

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

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

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

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, as follows:

(i) Assessed value of taxable property in the jurisdiction of the District as shown on the equalized assessment roll for the most recently completed Fiscal Year;

(ii) Property tax collection delinquencies for the District for the most recently completed Fiscal Year, but only if debt service on the Bonds is not paid for through County's Teeter Plan;

(iii) If available at the time of filing the Annual Report, the District's Adopted Budget for the current Fiscal Year, or a more recently Board-approved interim report; and

(iv) In addition to any of the information expressly required to be provided under paragraphs (i) through (vi), of this Section, 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.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, 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.

(d) 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 the MSRB's Internet web site or filed with the Securities and Exchange Commission.

Section 5. Reporting of Significant Events.

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

(1) Principal and interest payment delinquencies.

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

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

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

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

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or

determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

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

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

(9) Defeasances.

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

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

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

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

(b) 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 the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Resolution.

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

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization,

arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

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

Section 8. 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. Initially, the District shall serve as Dissemination Agent.

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

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

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

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the

differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate prevents 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. If the District fails to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 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 the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Date: _____, 2014

SAN LORENZO UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: San Lorenzo Unified School District

Name of Bond Issue: $_____ aggregate principal amount of San Lorenzo Unified School District (Alameda County, California) General Obligation Bonds, Election of 2008, Series D

Date of Issuance: _____, 2014

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the resolution adopted by the Board of Education of the District authorizing the issuance of the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

SAN LORENZO UNIFIED SCHOOL DISTRICT

By: _____
Authorized Officer

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

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

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

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

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (in this Appendix, the "Bonds"). The Series D 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 Series D Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series D Bonds on DTC's records. The ownership interest of each actual purchaser of each Series D 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 Series D 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 Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series D Bonds is discontinued.

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

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

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series D Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Series D Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Series D 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 District or 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 nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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APPENDIX G

ALAMEDA COUNTY INVESTMENT POLICY AND MONTHLY REPORT

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ALAMEDA COUNTY
Annual Investment Policy
Calendar Year 2014

Introduction

The Alameda County Board of Supervisors, by *Ordinance # O-2013-47 dated, December 3, 2013* has renewed the annual delegation of its investment authority and responsibility to invest and/or to reinvest the funds in the Alameda County treasury to the Alameda County Treasurer. Accordingly, in order to provide a framework for the oversight of the Treasurer's investment responsibilities and activities, the *Government Code of the State of California through Section 27133* requires the County Treasurer to prepare an annual investment policy that provides the specific guidelines, pursuant to which, the Treasurer should carry-out investment-related functions. Participation in the Alameda County investment pool is limited to entities that are required by mandate to deposit their revenues in the county treasury.

Investment Philosophy

The Alameda County Treasurer shall invest monies in the treasury in accordance with the following basic principles of investing, in the order of priority:

1. **Safety** – Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
2. **Liquidity** – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonable anticipated.
3. **Return** - The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints of safety

The investment portfolio shall be diversified and designed to attain a market-average rate of return that takes into account the cash-flow characteristics and operating cash needs of County departments, the County's various subdivisions, school districts and special districts.

The investment portfolio shall strive to attain an average maturity not to exceed 24 months. Investments shall be made with the general intention of holding to maturity and not for the purpose of trading. However, the Treasurer may, from time to time, swap or sell securities in order to re-position investment holdings to current coupon issues or to take advantage of market value appreciation by realizing profits on securities held by the portfolio.

The Treasurer may sell securities in which actual loss from such sale may be incurred under the following conditions:

1. To raise cash to meet unanticipated cash-flow need.
2. To swap old securities for current coupon securities.
3. To avoid further erosion and loss of investment principal due to deterioration in credit-worthiness or if interest rates are anticipated to continually rise.

Investment Guidelines and Eligible Securities

Section 53600 et seq. of the Government Code of the State of California prescribes the statutory requirements relating to investments by local treasurers, including types of allowable investments, proportional limits by investment type relative to the size of the investment pool, maximum maturity of investments, and credit rating criteria. The term to maturity of investments in the pool shall not exceed a final maturity of 5 years from date of purchase, except when specifically authorized by a resolution of the Alameda County Board of Supervisors.
Alameda County investments shall conform to the legal provisions set forth in the Government Code, except that, the County further prescribes the following requirements:
(Please refer to ATTACHMENT I)

I. Bankers Acceptance

- Maximum limit: 30% of the portfolio.
- Ratings requirement: "A" rated by S & P or its equivalent by other rating agencies for domestic banks. "AA" rated by S & P or its equivalent by other rating agencies for US Branch of Foreign Banks.
- Maximum maturity: May not exceed 180 days from purchase date to final maturity.

II. Commercial Paper

- Maximum limit: 25% of the portfolio.
- Ratings requirement: "P-1" rated by S & P or its equivalent by other rating agencies.
- Maximum maturity: May not exceed 270 days from purchase date to final maturity.

III. Medium-Term Corporate Notes

- Maximum limit: 30% of the portfolio.
- Rating requirement: "A" rated by S & P or the equivalent by other rating agencies if maturity is less than 3 years. "AA" rated by S & P or the equivalent by other rating if maturity is more than 3 years from purchase date.
- Maximum maturity: May not exceed 5 years from purchase date to final maturity.

IV. Negotiable Certificates of Deposits

- Maximum limit: 30% of the portfolio.
- Rating requirement: “A” rated by S & P or the equivalent by other rating agencies if issued by a domestic bank. “AA” rated by S & P or the equivalent by other rating agencies if issued by a U.S. branch of a foreign bank.
- Maximum maturity: May not exceed one year in maturity from purchase date.

V. Money Market Mutual Funds

- Maximum limit: 20% of the portfolio. Investments in any one fund may not exceed 5% of the portfolio or $75,000,000 whichever is lower. Exception to these limits shall apply during the months of November, December, March and April in order to accommodate short-term investments of large tax collections during the tax season.
- NAV requirement: A money-market fund must maintain a constant NAV (Net Asset Value) of $1.00.
- Rating requirement: In order to be eligible for purchase for the Treasurer’s investment pool, a money market fund, must meet either of the following requirements.

    - The fund must be invested in securities and obligations permitted by subdivisions (a) to (1) inclusive, of Section 53601 of the Government Code of the State of California. The fund must attain “AAA” ratings from 2 of the 3 nationally recognized rating services.

      OR

    - The fund must be invested in securities and obligations permitted by subdivisions (a) to (1) inclusive, of Section 53601 of the Government Code of the State of California, and **if not rated**, must retain an investment adviser registered with the SEC with more than five years of experience investing in the securities and obligations as authorized by subdivisions (a) to (m), inclusive, and with assets under management in excess of $500,000,000.

VI. U.S. Treasury Bills, U.S. Government Notes and Bonds, Federal Agency Notes, debt issues of the State of California and debt issues of local agencies within the State of California

- Maximum limit: 100% of the portfolio
- Purchase of debt issues of the U.S. Government, Federal Agencies, State of California and other local agencies in the State of California are eligible for purchase without limit, subject to requirements and restrictions of Section 53601 et seq. of the Government Code, except that floating rate notes, structured notes and other derivative securities permitted for purchase under the Code shall be limited to an aggregate cap of 15% of the total portfolio. Plain callable securities are not subject to the 15% limit.
- Maximum maturity: 5 years

VII. Repurchase Agreements

1. Repurchase Agreements
   - Maximum limit - 20% of the portfolio.
   - Counter-party requirements: A financial institution that will deliver the securities versus payment, either to the Treasurer's custodian bank or to a third party custodian.
   - Collateral requirements: U.S. Government Securities or Federal Agency Securities with final maturity not exceeding 5 years from commencement of repurchase agreement.
   - Collateral value requirements: Minimum of 102% of the funds borrowed and marked-to-market daily during the term of agreement.
   - Maximum term of agreement: 180 days.

2. Reverse Repurchase Agreements
   - Maximum limit: 20% of the portfolio.
   - Borrowing for leveraging purposes shall conform in all aspects to the governing provisions of the Government Code Section 53601, et. seq. Reverse repurchase agreements which have been entered into for purposes of either raising temporary cash needs or for the purpose of leveraging to attain favorable investment spreads, must be approved by the Board of Supervisors, pursuant to Government Code guidelines.

VIII. LAIF (Local Agency Investment Fund)

- Maximum amount: As permitted by the State Treasurer

IX. CalTrust (Joint Powers Authority Investment Trust for California Public Agencies)

- Maximum limit: Twice the limit of LAIF deposits

X. CAMP (Joint Powers Authority created to provide a statewide local government investment pool)

- Maximum limit: Twice the limit of LAIF deposits

XI. Collateralized/FDIC - Insured Time Deposits

The Treasurer may place interest-bearing inactive public time deposits with banks and savings and loan associations located within the State of California, collateralized in accordance with requirements of the Government Code. Further, pursuant to the requirement of Government Code Section 53635.2, in order to be eligible as a depository of local agency monies, the depository institution must have a CRA (Community Reinvestment Act) rating of at least "Satisfactory", received in its most recent evaluation by the appropriate federal rating agency. The Treasurer may also place with an eligible bank or savings and loan association, uncollateralized interest-bearing inactive time deposits for the FDIC-insured amount of up to $250,000, provided that the depository institution requests, and the Treasurer grants, a waiver of security in writing. FDIC-insured inactive time deposits may be placed only in banks that have at least one branch office in the San Francisco Bay Area, regardless of credit rating.

XII. Collateralized Money Market Bank Accounts

The Treasurer may open and deposit funds in interest-bearing active collateralized money market bank accounts in the banks that qualify under the eligibility requirements required for collateralized inactive time deposits, under **item XI** of this policy. Deposits in money market bank accounts are made to provide better short-term yield, as well as to provide another source of immediate liquidity.

XIII. Others – any other legally permitted investments by specific authorizing resolutions of the Alameda County Board of Supervisors shall be eligible investments.

Credit rating requirements for eligible securities referred-to in this policy shall mean the numeric, alpha, and/or alpha-numeric designations assigned by the following rating agencies:

Moody's Investor Service
Standard & Poor's Rating Services

Fitch IBCA, Inc.
Thompson Bank Watch

The list of possible ratings for Standard and Poor's, Moody's and Fitch is Attachment II.

Directed Investments and Withdrawal Policy

Self-directed investments made by any school district or any special district, including deposits by same districts into the State's Local Agency Investment Fund (LAIF) are considered withdrawal of funds from the County treasury. Each district withdrawing funds for the purpose of investing outside of the Treasurer's investment pool may only do so once each month, upon a 3-day written notice to the Treasurer in an amount not exceeding $20,000,000**.** Such withdrawal is hereafter referred to as a "Permissible Withdrawal". Permissible withdrawals are further subject to the following requirements:

- Each district wishing to invest bond proceeds and/or bond funds outside of the Treasurer's investment pool, must notify the Treasurer no later than on the day of the bond closing, so that the Treasurer could place such bond proceeds in short-term investment/s whose maturity would coincide with the settlement/purchase date of the directed investment.
- Securities representing district- directed investments shall be held solely for the purpose of safekeeping by the County Treasurer at the County's custodial bank.
- Directed investments shall be the direct responsibility of each respective district with respect to their accounting and accountability.
- Any school district or special district that has obtained a temporary loan from the Alameda County Treasurer may not invest operating funds outside of the Treasurer's investment pool until the temporary loan is fully liquidated.

Securities Lending

Pursuant to Section 53601 (i) (3) of the Government Code, the Alameda County Treasurer may engage in securities lending through a third party custodian and lending administrator. Revenues derived from securities lending will be considered incremental interest income to be shared among participating funds in the investment pool.

Other Provisions

Further, the Treasurer of Alameda County sets forth the following:

1. The Treasurer shall maintain sufficient funds in the County Treasury, to meet the estimated normal daily operating cash demands of the County and investment pool participants by investing funds to maturities that anticipate major cash needs. Investments shall, whenever possible, be made in securities that have active secondary or resale markets in order to provide maximum portfolio liquidity.

2. The treasurer's investment pool practices a "buy and hold" strategy, thus, funds are

invested in securities that mature on dates coincident with the anticipated operating cash requirements of all participating entities. Consequently, withdrawal of funds for purposes other than to pay operating expenditures is unanticipated and could risk the pool's liquidity and stability. Nevertheless, subject to the **Directed Investments and Withdrawal Policy**, the Treasurer may liquidate securities in order to meet unanticipated cash withdrawals or disbursements made by the County or any pool participant, whether the purpose of such withdrawal or disbursement is to make payment for a legitimate obligation or to pull-out funds to reinvest outside the Treasurer's pool. Except for permissible withdrawals as described in the previous section, in the event the Treasurer is obligated to liquidate investments in an adverse market, the resulting loss, if any (calculated on the basis of comparing the accrued interest earned at the original purchase rate vs. the actual interest earned and/or lost at the current sale rate), due to an unanticipated school or special district withdrawal that normal pool liquidity cannot meet, and if the purpose of such withdrawal is to invest the funds outside of the Treasurer's investment pool, shall be borne by the withdrawing district/s alone. Losses due to the sale of securities to meet unanticipated cash needs other than for the purpose of investing funds outside the treasurer's pool shall be considered as normal cost of providing unanticipated liquidity needs.

3. The Treasurer shall hold all securities including collateral on repurchase agreements, in safekeeping with the County's custodial bank or with a national bank located in a Federal Reserve City which has provided the County with a safekeeping agreement.

4. The Alameda County Treasurer's investment pool does not accept non-mandatory depositors.

Investment Report

The Treasurer shall submit a report on the monthly status of the investment pool to the Alameda County Board of Supervisors, the Treasurer's Oversight Committee and the participating districts. The investment report must include the total market value of securities held, as reported by the custodial bank in its custodial report to the County, in each of the following calendar-quarter monthly reports, September, December, March, and June.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the governing body. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of Alameda County Treasurer's investment pool.
Further, any securities broker or dealer who has made a political contribution to the Treasurer,

any member of the Board of Supervisors, or any candidate for those offices, in an amount that exceeds the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board within any consecutive 48-month period following January 1, 1996, shall be disqualified from transacting securities trades (purchase, sale and/or exchange) with the County Treasurer.

Safekeeping and Custody

The following process shall be maintained for safekeeping and custody of securities:

1. Delivery vs. payment
   All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the Alameda County's safekeeping institution prior to the release of funds.
2. Third-Party Safekeeping
   All marketable securities except for money market funds registered in the County's name shall be deposited for safekeeping with banks contracted to provide the County Treasurer with custodial security clearance services. Securities are **NOT** to be held in investment firm/broker dealer account.

Authorized Financial Institutions, Depositories, and Broker/Dealers

The Treasurer shall maintain a list of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of broker/dealers that are approved to conduct investment security transactions with the Alameda County Treasurer. These may include primary dealers, regional broker/dealers, minority-owned broker/dealers and direct issuers of securities.

All broker/dealers who desire to become qualified for investment transactions must supply the following (as appropriate):

1. Audited financial statements
2. Proof of FINRA registration
3. Proof of state registration
4. Completed broker/dealer questionnaire
5. Certification of having read and understood and agreeing to comply with Alameda County Treasurer's investment policy

Allocation of Interest Income and Costs

The Treasurer shall account for interest income on a cash basis to be apportioned based on average daily cash balances of participating funds during the quarterly allocation period. Government Code Section 27013 permits the Treasurer to charge the cost of the treasury operations and administration to the interest income prior to distribution. The cost of operating the County treasury which includes tax and revenue receipt processing, county-wide central cashiering, investment banking, management, operations, safekeeping and accounting, daily redemption of county warrants/checks and other direct and indirect treasury operations costs, shall be netted on a quarterly basis against the un-apportioned interest prior to its allocation to the pool participants. The treasury operations costs are determined each fiscal

year as part of the budgeting process, during which the departmental budget is allocated among the various functioning units of the Treasurer-Tax Collector's department.

Treasury Oversight Committee

The Treasury Oversight Committee shall meet at least once annually, preferably the 3rd Wednesday of January. The responsibilities of the Treasury Oversight Committee are:

1. To ensure that an annual audit of the investment portfolio is performed;
2. To review the Treasurer's Annual Investment Policy before it is submitted to the Board of Supervisors for authorization; and
3. To ensure that the Treasurer's investments conform to the requirements of the annual investment policy.

Limit on Receipt of Honoraria, Gifts and Gratuities

No individual responsible for the management of the County's investment portfolio or any member of the Treasury Oversight Committee shall accept honoraria, gifts or gratuities from any advisor, broker, dealer, banker or other person with whom the county treasury conducts business, that aggregate in value in excess of $250.00 in any calendar year.

Conclusion

Any provision in this, the investment policy of Alameda County, which may later be disallowed by the governing sections of the Government Code of the State of California, shall also be so disallowed. Conversely, any new permissive provisions under the governing sections of the Government Code shall be allowed without necessarily amending the investment policy during the year that the law takes effect. However, such new provision shall be adopted by policy in the next annual investment policy.

This investment policy shall be in effect until revised or replaced by the investment policy of the following calendar year.

SUMMARY OF ALLOWABLE INVESTMENTS

AUTHORIZED INVESTMENTS	MAXIMUM % HOLDINGS	PURCHASE RESTRICTIONS	MAXIMUM MATURITY	CREDIT QUALITY
Banker's Acceptance	30%	N/A	180 days	"A" rated by S&P or equivalent for domestic banks
Commercial Paper	25%	N/A	270 days	"AA" rated by S&P or equivalent for US branch of foreign banks "A-1/P-1" rated by S&P and Moody's or equivalent
Medium Term Notes or Corporate Notes	30%	N/A	5 years	"A" rated by S&P or equivalent for maturity less than 3 years "AA" rated by S&P or equivalent for maturity over 3 years
Negotiable CD	30%	N/A	1 year	"A" rated by S&P or equivalent for domestic banks "AA" rated by S&P or equivalent for US branch of foreign banks
Money-Market Mutual Funds	20%	Max. 5% or $75MM per fund. Must maintain constant NAV of $1.00	Daily Liquidity	"AAA" from 2 of the 3 nationally recognized rating services
US Treasury Bills, US Government Notes and Bonds, Federal Agency Notes, debt issues by St. of CA and local agencies within the state	100%	N/A	5 years	N/A
Repurchase Agreements (REPO)	20%	Counter-party that will deliver securities DVP. Collateral to be US Government or Federal Agency securities with maximum maturity of 5 years. 102% of funds borrowed and marked-tomarket daily.	180 days	N/A
Reverse Repurchase Agreements (Reverse REPO)	20%	Prior Approval of Board of Supervisors	As per code	N/A
LAIF	$50 million	As per limit set by LAIF	Daily Liquidity	N/A
CAMP	$100 million	2 x LAIF	Daily Liquidity	N/A
CalTRUST	$100 million	2 x LAIF	Daily Liquidity	N/A
Fully Collateralized/FDIC - Insured Time Deposits	no limit	Refer to page 5	5 years	N/A
Fully Collateralized Money Market Bank Account	no limit	Refer to page 5	Daily Liquidity	N/A

RATINGS INTERPRETATION

LONG TERM DEBT RATINGS			
MOODY'S	**S&P**	**FITCH**	**RATINGS INTERPRETATION FOR CREDIT**
Aaa	AAA	AAA	STRONGEST QUALITY
Aa1	AA+	AA+	STRONG QUALITY
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	GOOD QUALITY
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	MEDIUM QUALITY
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	SPECULATIVE
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	LOW
B2	B	B	
B3	B-	B-	
Caa	CCC+	CCC	POOR
-	CCC	-	HIGHLY SPECULATIVE TO DEFAULT
-	CCC-	-	
Ca	CC	CCC	
C	-	-	
-	-	DDD	
-	-	DD	
-	D	D	

SHORT TERM DEBT RATINGS			
MOODY'S	**S&P**	**FITCH**	**RATINGS INTERPRETATION FOR CREDIT**
P-1	A-1+	F1+	STRONGEST QUALITY
	A-1	F1	STRONG QUALITY
P-2	A-2	F2	GOOD QUALITY
P-3	A-3	F3	MEDIUM QUALITY

Agenda _____ October 14, 2014

TREASURER - TAX COLLECTOR

DONALD R. WHITE
TREASURER - TAX COLLECTOR

September 25, 2014

Board of Supervisors
County of Alameda
1221 Oak Street, 5th Floor
Oakland, CA 94612

Dear Board Members:

RE: Investment Report – August 2014

In accordance with the Treasurer's investment policy, submitted herewith is a report of the cash pool investments for the month of August 2014. Enclosed with this report is a detailed composition of all outstanding investments by securities category as of August 31, 2014 (1). This report reflects the cost of purchase. All investments in the Treasurer's investment portfolio conform to the statutory requirements of Government Code Section 53601 et. seq., authorities delegated by the County Board of Supervisors and the Treasurer's investment policy.

As Of August 31, 2014

Treasurer's Cash and Pool Investments – Book Value (2)	$ 3,031,185,590
Average Daily Balance during the month	3,017,697,033
Total interest received during the month	1,079,870
Average Maturity of the portfolio	545 days
Annualized cash basis rate of return for the month	0.421%

Total Securities Purchased During the Month

• In 12-month maturity	$ 2,000,000	
• In over 12-month maturity	10,000,000	
Total purchased		12,000,000

Total Activity during the Month

Securities matured	99,991,250
Securities called by issuers	14,095,765
Securities sold	63,852,377
Net collateralized money market bank accounts redeemed	35,000,000
Net money market mutual funds redeemed	100,000,000

Liquidity Summary Of The Portfolio As Of August 31, 2014 [3]

Maturity	Amount	Percentage Held
1 to 90 days*	$ 1,033,984,547	25.68%
91 to 180 days	166,360,634	10.73%
181 to 365 days	188,908,025	6.20%
2 years	478,549,338	17.13%
3 years	633,788,505	21.64%
4 years	461,609,542	16.38%
5 years	67,985,000	2.24%
Total	**3,031,185,590**	**100.00%**

*Of the total cash and investment holdings listed above $1,033,984,547 or 34.11% consisted of cash and investments maturing within 90 days of this report.

Significant Market Activity in August 2014

The US economy expanded in August as homes sales rose and factory production increased. The GDP expanded at 4.6% pace in the second quarter. Unemployment rate ticked up to 6.2% as the economy added 198K new jobs in the previous month. The Federal Open Market Committee raised talks about a rate hike in the second quarter of 2015 while reducing their monthly asset purchase program by $10 billion.

Conclusion

Based on investment activity during the month of August 2014, the Treasurer expects to meet all operating cash needs for the pool participants within the next six months from the portfolio's most liquid assets and current revenues. For your review, a copy of the Investment Status Report for the month of August 2014 is on file with the Office of the Clerk of the Board of Supervisors.

Very truly yours,

Donald R. White
Treasurer-Tax Collector

Attachment 1
Attachment 2
Attachment 3

cc: Patrick O'Connell, Auditor-Controller
Susan Muranishi, County Administrator
School District Participants
Special District Participants
Treasury Oversight Committee

ALAMEDA COUNTY

Attachment I

COMPOSITION OF TREASURER'S CASH POOL
August 31, 2014

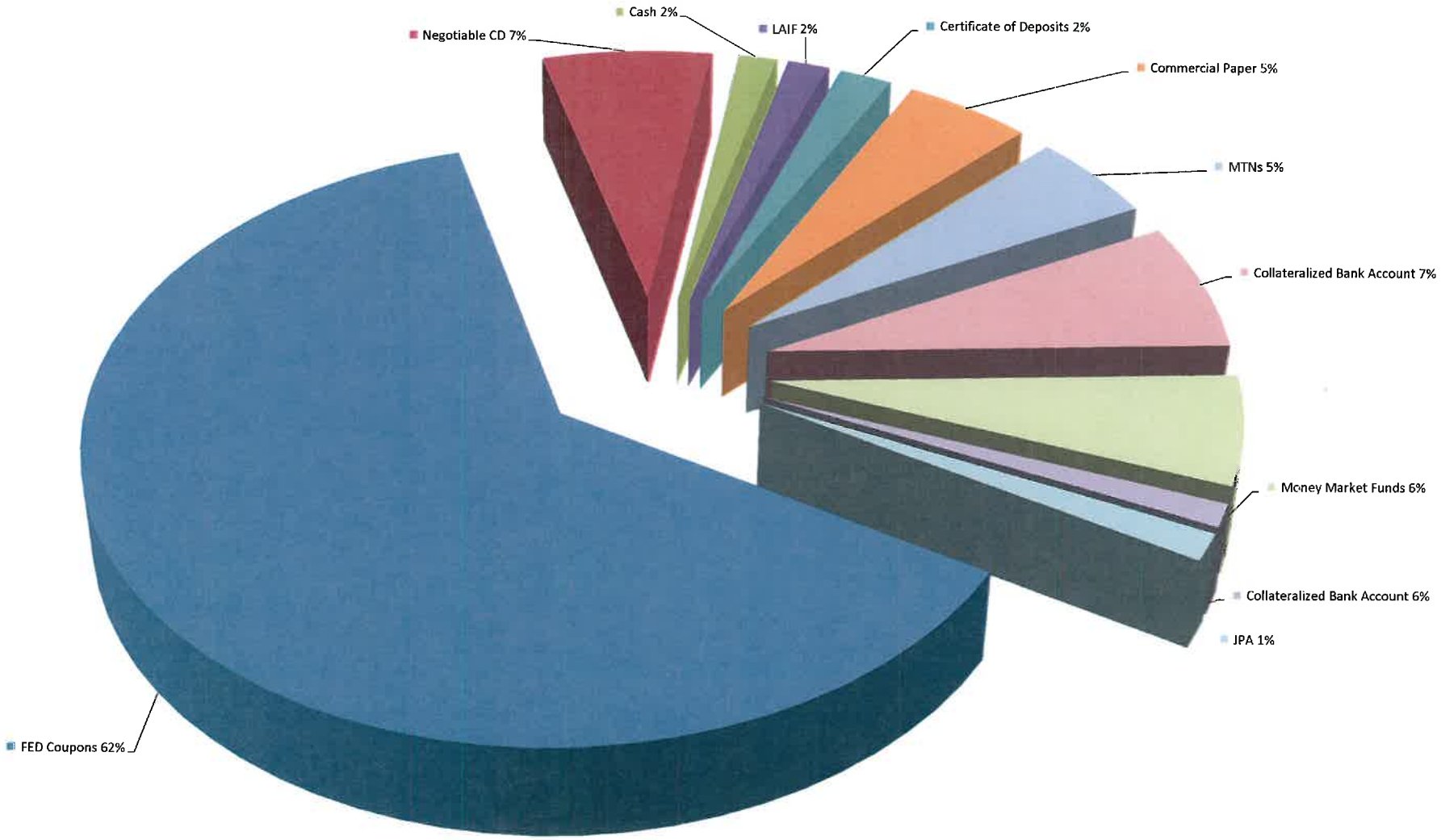
The following summarizes the profile of the investment portfolio by category as of August 31, 2014

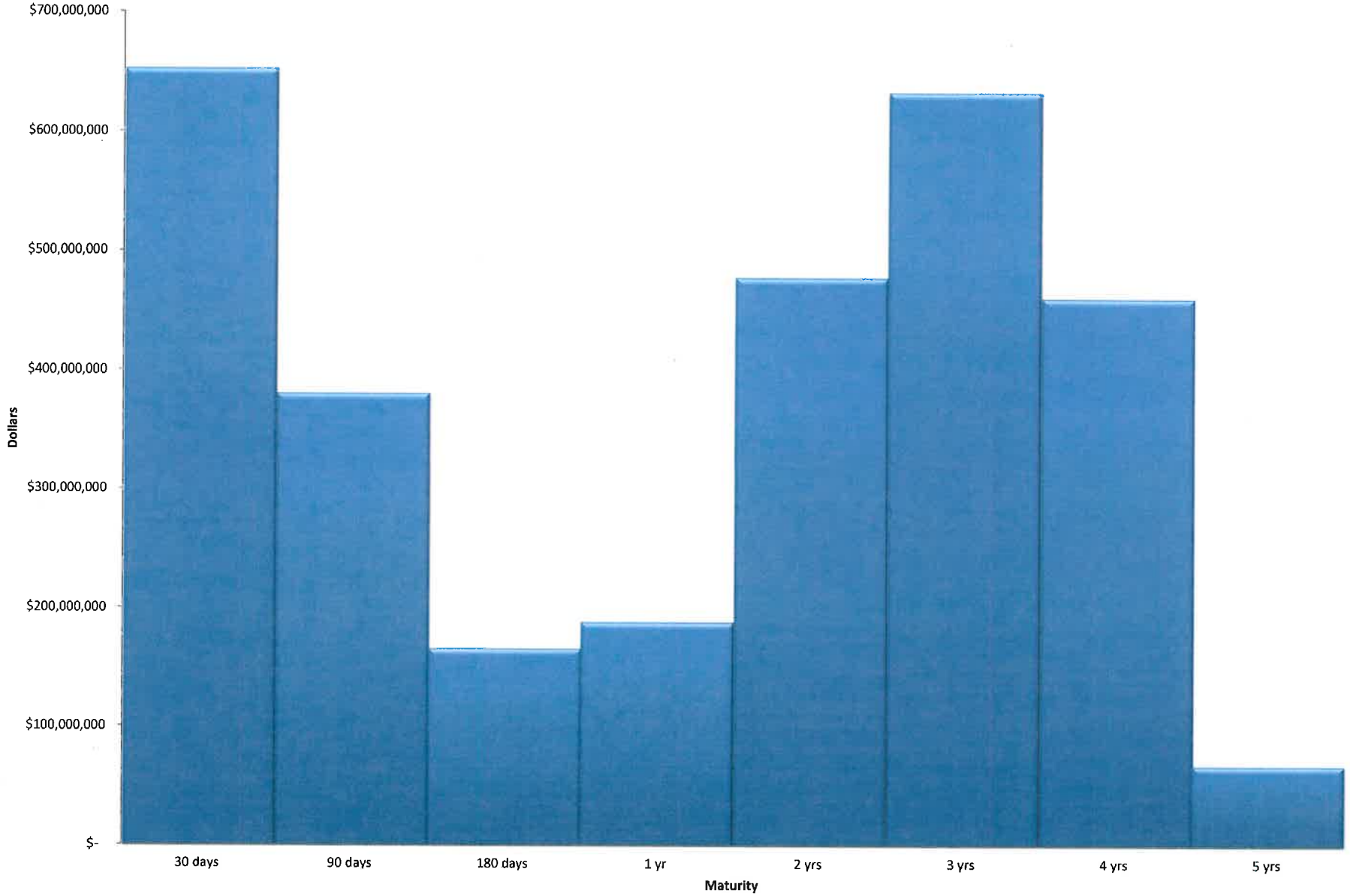
Securities	Book Value*	Percentage Held	Percentage Allowed by Section 53601 - Investment Policy
LAIF	50,000,000.00	1.65%	N.A.
Certificate of Deposit	62,750,000.00	2.07%	no limit
Commercial Paper	149,836,819.45	4.94%	25%
Money Market Mutual Funds	183,000,000.00	6.04%	20%
Collateralized Money Market Bank A/C	213,000,000.00	7.03%	N.A.
Federal Agency Notes & Bonds	1,892,779,988.03	62.44%	no limit
Medium Term Notes	149,758,044.14	4.94%	30%
Negotiable CD	200,000,000.00	6.60%	30%
Municipal Securities	38,315,200.00	1.26%	no limit
Joint Powers Authority	$ 45,000,000.00	1.48%	N.A.
Total Investments	**$ 2,984,440,051.62**	**98.46%**	
Cash in Bank and on Hand	$ 46,745,538.46	1.54%	
Total Treasurer's Pool	**$ 3,031,185,590.08**	**100.00%**	

*The Book Value is obtained from the Union Bank Custodial Report

Summary of Treasurer's Investment Pool By Major Categories
August 31, 2014

Attachment 2



Summary of Treasurer's Invesments by Maturity
August 31, 2014

Attachment 3