NEW ISSUE—BOOK-ENTRY ONLY

Ratings: Moody's: "Aa3"
Standard & Poor's: "AA-"
(See "MISCELLANEOUS — Ratings" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2009B-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2009B-1 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. Interest on the Series 2009B-2 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

09-1070 **$23,604,106**
TORRANCE UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION BONDS,
ELECTION OF 2008 (MEASURE Y), SERIES 2009B-1

09-1071 **$31,000,000**
TORRANCE UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION BONDS,
ELECTION OF 2008 (MEASURE Y), SERIES 2009B-2
(BUILD AMERICA BONDS–FEDERALLY TAXABLE)

09-1072 **$18,920,282**
TORRANCE UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION BONDS,
ELECTION OF 2008 (MEASURE Z), SERIES 2009B-1

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

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

The Torrance Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2008 (Measure Y), Series 2009B-1 (the "Measure Y Series 2009B-1 Bonds"), the Torrance Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2008 (Measure Y), Series 2009B-2 (Build America Bonds-Federally Taxable) (the "Series 2009B-2 Bonds"), and the Torrance Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2008 (Measure Z), Series 2009B-1 (the "Measure Z Series 2009B-1 Bonds" and together with the Measure Y Series 2009B-1 Bonds, the "Series 2009B-1 Bonds," which together with the Series 2009B-2 Bonds are collectively referred to herein as the "Bonds") are issued by the County of Los Angeles, California (the "County") on behalf of the Torrance Unified School District (the "District") (i) to finance specific construction, repair and improvement projects approved by the voters of the District, (ii) to pay capitalized interest on the Bonds, and (iii) to pay costs of issuance of the Bonds. The Bonds are being issued under the laws of the State of California (the "State") and pursuant to resolutions of the Board of Education of the District and the Board of Supervisors of the County.

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

The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds") as set forth on the inside front cover hereof and as more fully described herein. Interest on the Current Interest Bonds is payable on each February 1 and August 1 to maturity, commencing February 1, 2010. Principal of the Current Interest Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. The Bonds issued as Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their maturity value payable only at maturity on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. Interest on the Capital Appreciation Bonds will be compounded on each February 1 and August 1 to maturity, commencing February 1, 2010.

The Series 2009B-2 Bonds will be issued as Current Interest Bonds designated as "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009, the interest on which is not excluded from gross income for purposes of federal income taxation. See "TAX MATTERS – Series 2009B-2 Bonds Tax Matters." The District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series 2009B-2 Bonds. See "THE BONDS – Designation of Series 2009B-2 Bonds as Build America Bonds."

Each series of the Bonds will be issued in book-entry form only, in denominations of $5,000 principal amount or maturity value, as applicable, or integral multiples thereof, and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for each series of the Bonds. Individual purchases of the Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Bonds purchased by them. See "THE BONDS – Form and Registration" herein. Payments of the principal and maturity value of and interest on the Bonds will be made by U.S. Bank National Association, as agent for the Treasurer and Tax Collector of the County, the paying agent, registrar and transfer agent with respect to the Bonds, to DTC for subsequent disbursement through DTC Participants to the beneficial owners of the Bonds. See "THE BONDS – Payment of Principal and Interest" herein.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS — Redemption of Series 2009B-1 Bonds," "— Redemption of Series 2009B-2 Bonds" and "— Redemption Procedures" herein.

Each series of the Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District. It is anticipated that each series of the Bonds, in definitive form, will be available for delivery through the facilities of DTC in New York, New York, on or about October 29, 2009.

George K. Baum & Company

Dated: October 15, 2009

RCVD NOV 3 '09

MATURITY SCHEDULE

BASE CUSIP[1]: 891381

$23,604,106
MEASURE Y SERIES 2009B-1 BONDS

$19,020,000 Current Interest Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number[1]
2014	$ 650,000	3.000%	2.500%	D77
2015	900,000	4.000	2.950	C52
2016	1,500,000	5.000	3.230	C60
2017	1,600,000	5.000	3.450	C78
2018	3,070,000	5.000	3.630	C86
2019	1,500,000	4.250	3.750	C94
2019	1,500,000	5.000	3.750	D69
2020	4,000,000	5.250	3.880†	D28
2021	4,300,000	5.250	3.980†	D36

† *Yield to par call on August 1, 2019.*

$4,584,106 Capital Appreciation Bonds

Maturity (August 1)	Initial Principal Amount	Accretion Rate	Reoffering Yield	Maturity Value	CUSIP Number[1]
2022	$1,253,286	11.785%	6.130%	$ 5,400,000	D44
2023	1,862,820	11.785	6.200	9,000,000	D51
2026	1,468,000	11.785	6.380	10,000,000	D85

$31,000,000
MEASURE Y SERIES 2009B-2 BONDS

$31,000,000 7.100% Term Current Interest Bonds due August 1, 2034 - Yield 7.100% CUSIP Number[1] – G66

MATURITY SCHEDULE
(continued)

$18,920,282
MEASURE Z SERIES 2009B-1 BONDS

$3,375,000 Current Interest Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number[1]
2014	$ 300,000	3.000%	2.500%	E84
2015	400,000	3.500	2.980	E27
2016	675,000	3.750	3.260	E35
2017	1,000,000	4.000	3.500	E43
2018	1,000,000	4.000	3.680	E50

$15,545,282 Capital Appreciation Bonds

Maturity (August 1)	Initial Principal Amount	Accretion Rate	Reoffering Yield	Maturity Value	CUSIP Number[1]
2019	$1,050,192	5.600%	5.600%	$1,800,000	E68
2020	1,068,960	9.828	5.800	3,000,000	E76

$13,426,130 Denominational Amount 6.600% Capital Appreciation Term Bonds
$67,000,000 Maturity Value Due August 1, 2034 – Yield 6.600% CUSIP Number[1] – G58

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

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

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE FRONT COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

TORRANCE UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)

BOARD OF EDUCATION

Albert Y. Muratsuchi, Esq., President
Mark Steffen, Vice President
Don Lee, Clerk
Michael P. Ernst, Ph.D., Member
Terry Ragins, Member

DISTRICT ADMINISTRATORS

George Mannon, Ed.D., Superintendent
Donald Stabler, Ed.D., Deputy Superintendent, Administrative Services
Tim Stowe, Ed.D., Senior Director – Secondary Schools
E. Don Kim, Ed.D., Senior Director – Elementary Schools
Mario Liberati, Ed.D., Senior Director – Human Resources
Judy Chai – Fiscal Services Officer

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP

Paying Agent

U.S. Bank National Association, as agent for
The Treasurer and Tax Collector
of the County of Los Angeles

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(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION BONDS,
ELECTION OF 2008 (MEASURE Y), SERIES 2009B-1

$31,000,000
TORRANCE UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION BONDS,
ELECTION OF 2008 (MEASURE Y), SERIES 2009B-2
(BUILD AMERICA BONDS–FEDERALLY TAXABLE)

$18,920,282
TORRANCE UNIFIED SCHOOL DISTRICT
(COUNTY OF LOS ANGELES, CALIFORNIA)
GENERAL OBLIGATION BONDS,
ELECTION OF 2008 (MEASURE Z), SERIES 2009B-1

INTRODUCTION

General

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of (i) $23,604,106 aggregate principal amount of Torrance Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2008 (Measure Y), Series 2009B-1 (the "Measure Y Series 2009B-1 Bonds"), (ii) $31,000,000 aggregate principal amount of Torrance Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2008 (Measure Y), Series 2009B-2 (Build America Bonds–Federally Taxable) (the "Series 2009B-2 Bonds"), and (iii) $18,920,282 aggregate principal amount of Torrance Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2008 (Measure Z), Series 2009B-1 (the "Measure Z Series 2009B-1 Bonds" and together with the Measure Y Series 2009B-1 Bonds, the "Series 2009B-1 Bonds," which together with the Series 2009B-2 Bonds are collectively referred to herein as the "Bonds"), consisting of current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"), as indicated on the inside front cover hereof, to be offered by the Torrance Unified School District (the "District").

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

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the resolutions of the Board of Education of the District and the Board of Supervisors of the County of Los Angeles (the "County") providing for the issuance of each series of the Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

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

Copies of documents referred to herein and information concerning the Bonds are available from the District by contacting: Torrance Unified School District, 2335 Plaza Del Amo, Torrance, California 90501, Attention: Superintendent. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District was established in 1947 and is located in the western side of Los Angeles County, boarded by the Palos Verdes Peninsula on the south, the Cities of Redondo Beach and Gardena on the north, the City of Carson on the east and the Pacific Ocean on the west. The District encompasses within its boundaries all of the City of Torrance. The District's jurisdiction includes approximately 21 square miles. The District currently operates 17 elementary schools, 8 middle schools, 5 high schools, one of which is a continuation school, and 3 adult schools. The District estimates that total current enrollment is approximately 24,600 students. The District operates under the jurisdiction of the Los Angeles County Superintendent of Schools. For additional information about the District, see Appendix A: "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET."

THE BONDS

Authority for Issuance; Purpose

Each series of the Bonds is issued under the provisions of Chapters 1 and 1.5 of Part 10 of Division 1 of Title 1 of the California Education Code and Article XIIIA of the California Constitution and pursuant to a separate resolution adopted by the Board of Supervisors of the County on September 29, 2009 (the resolution for the applicable series to be referred to herein as the "County Resolution"), pursuant to the request of the District made by a separate resolution adopted by the Board of Education of the District on September 8, 2009 (the resolution of the applicable series to be referred to herein as the "District Resolution").

At an election held on November 4, 2008, the District received authorization (i) under Measure Y, to issue bonds of the District in an aggregate principal amount not to exceed $265,000,000 to finance critical core facility improvements (the "Measure Y 2008 Authorization"), and (ii) under Measure Z, to issue bonds of the District in an aggregate principal amount not to exceed $90,000,000 to finance selectred additional facility improvements (the "Measure Z 2008 Authorization" and together with the Measure Y 2008 Authorization, the "Authorizations"). Each Measure required approval by at least 55% of the votes cast by eligible voters within the District. Measure Y received an approval vote of approximately 74.13% and Measure Z received an approval vote of approximately 71.23%. On February 5, 2009, the District issued the first series of the authorized bonds under the Measure Y 2008 Authorization in the aggregate principal amount of $58,000,000 and under the Measure Z 2008 Authorization in the aggregate principal amount of $36,000,000. The Bonds represent the second and, in case of the Measure Y 2008 Authorization, third series of the authorized bonds to be issued under the Authorizations and will be issued to finance authorized projects.

Form and Registration

Each series of the Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 principal amount or Maturity Value, as applicable, or integral multiples thereof. Each series of the Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as security depository of the Bonds. Purchases of Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Bonds, beneficial owners will not receive physical certificates representing their ownership interests. See Appendix G: "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

The Bonds will be issued as Current Interest Bonds and Capital Appreciation Bonds as set forth on the inside front cover hereof.

Interest; Current Interest Bonds. The Bonds issued as Current Interest Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on February 1 and August 1 of each year (each, an "Interest Date"), commencing on February 1, 2010, computed using a year of 360 days, comprising twelve 30-day months. Current Interest Bonds authenticated and registered on any date prior to the close of business on January 15, 2010, shall bear interest from their dated of date. Current Interest Bonds authenticated during the period between the 15th day of the calendar month immediately preceding an Interest Date (the "Record Date") and the close of business on that Interest Date shall bear interest from that Interest Date. Any other Current Interest Bond shall bear interest from the Interest Date immediately preceding the date of its authentication. If, at the time of authentication of any Current Interest Bond, interest is then in default on outstanding Bonds, such Bond shall bear interest from the Interest Date to which interest has previously been paid or made available for payment thereon.

Interest; Capital Appreciation Bonds. The Bonds issued as Capital Appreciation Bonds will be dated as of their date of delivery. The Capital Appreciation Bonds will not bear interest on a periodic basis; instead, each Capital Appreciation Bond will increase in value by the accumulation of earned interest from its initial principal amount on the date of issuance (as stated on the inside front cover page of this Official Statement) to its maturity value on the date of maturity ("Maturity Value"), as stated on the inside front cover page of this Official Statement. Interest commences to accrue on the date of delivery, and is compounded on each Interest Date, commencing February 1, 2010.

The rate of interest at which a Capital Appreciation Bond's Maturity Value is discounted to its initial principal amount is known as the "Accretion Rate," and is stated on the inside front cover hereof. For any Capital Appreciation Bond, the value of principal plus accrued interest on any given Interest Date prior to maturity may be calculated by discounting the Maturity Value of the Capital Appreciation Bond from its maturity date to that Interest Date at a discount rate equal to the Accretion Rate, assuming a year of 360 days comprising twelve 30-day months. The imputed value on any other date may be calculated on the basis of a straight-line interpolation between the values calculated for the Interest Dates immediately preceding and following the date in question.

The Underwriter has prepared the Table of Accreted Values shown in Appendix H hereto, in order to provide the value per $5,000 of Maturity Value for each Capital Appreciation Bond on each Interest Date prior to maturity. See "TAX MATTERS" herein for Bond Counsel's discussion of the federal tax treatment of accrued interest on the Capital Appreciation Bonds.

Payment of Bonds. The principal and Maturity Value of the Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of the paying agent at the maturity thereof or upon redemption prior to maturity.

Interest on the Current Interest Bonds is payable in lawful money of the United States of America by check mailed on each Interest Date (if a business day, or on the next business day if the Interest Date does not fall on a business day) to the registered owner thereof (the "Owner") at such Owner's address as it appears on the bond registration books kept by the paying agent or at such address as the Owner may have filed with the paying agent for that purpose, except that the payment shall be made by wire transfer of immediately available funds to any Owner of at least $1,000,000 of outstanding Current Interest Bonds who shall have requested in writing such method of payment of interest prior to the close of business on a

Record Date. So long as the Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See Appendix G: "BOOK-ENTRY ONLY SYSTEM."

Designation of Series 2009B-2 Bonds as Build America Bonds

The Series 2009B-2 Bonds will be issued as Current Interest Bonds and will be designated as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009, signed into law on February 17, 2009 (the "Recovery Act"). The District expects to receive a cash subsidy payment (the "Subsidy") from the United States Treasury (the "Treasury") pursuant to the Recovery Act equal to 35% of the interest payable on the Series 2009B-2 Bonds on or about each Interest Date for the Series 2009B-2 Bonds. The Subsidy does not constitute a full faith and credit guarantee of the United States with respect to the Series 2009B-2 Bonds, but is required to be paid by the Treasury under the Recovery Act. Any Subsidy payments received by the District are required to be deposited into the interest and sinking fund of the District within the County treasury (the "Interest and Sinking Fund"). The County is obligated to make all payments of principal and interest on the Series 2009B-2 Bonds whether or not such Subsidy payments are received pursuant to the Recovery Act and deposited in the Interest and Sinking Fund. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – General" herein. The District makes no assurances about future legislative or policy changes or the netting of other tax liabilities against the Subsidy by the Treasury which may affect the amount or receipt of Subsidy payments.

Redemption of Series 2009B-1 Bonds

Optional Redemption. The Measure Y Series 2009B-1 Bonds issued as Current Interest Bonds maturing on or before August 1, 2019, are not subject to optional redemption prior to their respective stated maturity dates. The Measure Y Series 2009B-1 Bonds issued as Current Interest Bonds maturing on and after August 1, 2020, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2019, at a redemption price equal to the principal amount of the Current Interest Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Measure Z Series 2009B-1 Bonds issued as Current Interest Bonds are not subject to optional redemption prior to their respective stated maturity dates.

The Capital Appreciation Bonds are not subject to optional redemption prior to their respective stated maturity dates.

Mandatory Sinking Fund Redemption. The $13,426,130 term Measure Z Series 2009B-1 Bonds issued as Capital Appreciation Bonds maturing on August 1, 2034, are also subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2024	$ 768,495.65
2025	540,051.05
2026	965,879.80
2027	1,736,379.35
2028	1,716,340.35
2029	1,691,291.60
2030	1,117,174.25
2031	1,168,273.70
2032	1,089,119.65
2033	1,112,164.50
2034†	1,520,960.10

† Maturity.

Redemption of Series 2009B-2 Bonds

Optional Redemption. The Series 2009B-2 Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2019, at a redemption price equal to the principal amount of the Series 2009B-2 Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The $31,000,000 term Series 2009B-2 Bonds maturing on August 1, 2034, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2031	$ 5,000,000
2032	5,000,000
2033	10,000,000
2034†	11,000,000

† Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, in integral multiples of $5,000, by any portion of such term Series 2009B-2 Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

Redemption Procedures

Selection of Bonds for Redemption. If less than all of the Bonds of a series are called for redemption, Bonds of such series shall be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Bonds of any one maturity of a series are designated for redemption, the paying agent shall select the outstanding Bonds of such maturity and series to be redeemed by lot in any manner deemed fair by the paying agent. For purposes of such selection, each Bond shall be deemed to consist of individual Bonds of $5,000 denominations each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Bond will be given by the paying agent not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the applicable Continuing Disclosure Certificate. See Appendix D: "FORMS OF CONTINUING DISCLOSURE CERTIFICATES."

Each notice of redemption will contain the following information: (i) the date of such notice; (ii) the name of the Bonds and the date of issue of the Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity of the Bonds to be redeemed; (vi) (if less than all of the then-outstanding Bonds of a series are to be called for redemption) the distinctive serial numbers of the Bonds of each maturity of such series to be redeemed; (vii) (in the case of Bonds of a series redeemed in part only) the respective portions of the principal amount of the Bonds of each maturity of such series to be redeemed; (viii) the CUSIP number, if any, of each maturity of Bonds to be redeemed; (ix) a statement that such Bonds must be surrendered by the Owners at the principal corporate trust office of the paying agent or such other location as such paying agent may specify; and (x) notice that further interest on such Bonds will not accrue after the designated redemption date. The actual receipt by the Owner of any Bond of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above and when the redemption price of the Bonds called for redemption is set aside, the Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Bonds so called for redemption after such redemption date shall look for the payment of such Bonds and the redemption premium thereon, if any, only to moneys on deposit for the purpose in the Interest and Sinking Fund or the trust fund established for such purpose. All Bonds redeemed shall be cancelled forthwith by the paying agent and shall not be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund of the District or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Defeasance of Bonds

The District may pay and discharge any or all of any series of the Bonds by depositing in trust with the paying agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Moneys

Any money held in any fund or by the paying agent in trust for the payment of the principal of, redemption premium, if any, or interest on any series of the Bonds and remaining unclaimed for two years after the principal of all of such series of Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

Application and Investment of Bond Proceeds

General. The proceeds from the sale of the Bonds, to the extent of the principal amount thereof, will be deposited in the County treasury to the credit of the building fund of the District (the "Building Fund") and shall be accounted for together with the proceeds of other bonds of the District separately from all other District and County funds. Such proceeds shall be applied solely for the purposes for which the Bonds were authorized. Any premium or accrued interest received by the District will be deposited in the Interest and Sinking Fund of the District in the County treasury. Interest and earnings on each fund will accrue to that fund.

All funds held by the Treasurer and Tax Collector of the County (the "County Treasurer") in the Building Fund are expected to be invested on behalf of the District by the County Treasurer in such investments as are authorized by Section 53601 and following of the California Government Code, consistent with the investment policy of the County. See Appendix E: "SUMMARY OF COUNTY OF LOS ANGELES INVESTMENT POLICIES AND PRACTICES AND DESCRIPTION OF INVESTMENT POOL." See also Appendix F: "COUNTY INVESTMENT POLICY." The District may direct that certain investments in the Building Fund be deposited with a state or national bank or trust company located within the State or with the Federal Reserve Bank of San Francisco or any branch thereof within the State, or with any Federal Reserve bank or with any state or national bank located in any city designated as a reserve city by the Board of Governors of the Federal Reserve System in accordance with Sections 41015 and 41016 of the California Education Code.

Estimated Sources and Uses of Funds

The proceeds of the Measure Y Series 2009B-1 Bonds and the Series 2009B-2 Bonds (collectively, the "Measure Y Series 2009B Bonds") are expected to be applied as follows:

TORRANCE UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
General Obligation Bonds,
Election of 2008 (Measure Y), Series 2009B-1
and
General Obligation Bonds,
Election of 2008 (Measure Y), Series 2009B-2
(Build America Bonds–Federally Taxable)

Estimated Sources and Uses of Funds

Sources of Funds:	**Measure Y Series 2009B-1**	**Measure Y Series 2009B-2**	**Total**
Par Amount of Measure Y Series 2009B Bonds	$ 23,604,106.00	$ 31,000,000.00	$ 54,604,106.00
Original Issue Premium	7,088,633.70	-	7,088,633.70
Total Sources	$ 30,692,739.70	$ 31,000,000.00	$ 61,692,739.70
Uses of Funds:			
Deposit to Building Fund	$ 23,604,106.00	$ 31,000,000.00	$ 54,604,106.00
Costs of Issuance[1]	715,661.42	-	715,661.42
Deposit to Interest and Sinking Fund[2]	6,372,972.28	-	6,372,972.28
Total Uses	$ 30,692,739.70	$ 31,000,000.00	$ 61,692,739.70

(1) Includes underwriter's discount, bond counsel fees, disclosure counsel fees, rating agency fees, paying agent fees, printing fees and other miscellaneous expenses.
(2) Consists of any premium received by the District.

The proceeds of the Measure Z Series 2009B-1 Bonds are expected to be applied as follows:

TORRANCE UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
General Obligation Bonds,
Election of 2008 (Measure Z), Series 2009B-1

Estimated Sources and Uses of Funds

	Measure Z Series 2009B-1
Sources of Funds:	
Par Amount of Measure Z Series 2009B-1 Bonds	$18,920,282.00
Original Issue Premium	647,868.75
Total Sources	$19,568,150.75
Uses of Funds:	
Deposit to Building Fund	$18,920,282.00
Costs of Issuance[1]	302,710.35
Deposit to Interest and Sinking Fund[2]	345,158.40
Total Uses	$19,568,150.75

(1) Includes underwriter's discount, bond counsel fees, disclosure counsel fees, rating agency fees, paying agent fees, printing fees and other miscellaneous expenses.
(2) Consists of any premium received by the District.

Debt Service

Debt service on each series of the Bonds, assuming no early redemptions, is as shown in the following tables.

TORRANCE UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
General Obligation Bonds, Election of 2008 (Measure Y), Series 2009B-1
and
General Obligation Bonds, Election of 2008 (Measure Y), Series 2009B-2
(Build America Bonds–Federally Taxable)

DEBT SERVICE

	Measure Y Series 2009B-1 Bonds				Measure Y Series 2009B-2 Bonds		
	Current Interest Bonds		Capital Appreciation Bonds		Current Interest Bonds		
Period Ending August 1,	Principal	Interest	Principal	Interest Paid at Maturity	Principal	Interest	Total Debt Service
2010	$ -	$ 709,088.89	$ -	-	$ -	$ 1,662,977.78	$ 2,372,066.67
2011	-	938,500.00	-	-	-	2,201,000.00	3,139,500.00
2012	-	938,500.00	-	-	-	2,201,000.00	3,139,500.00
2013	-	938,500.00	-	-	-	2,201,000.00	3,139,500.00
2014	650,000.00	938,500.00	-	-	-	2,201,000.00	3,789,500.00
2015	900,000.00	919,000.00	-	-	-	2,201,000.00	4,020,000.00
2016	1,500,000.00	883,000.00	-	-	-	2,201,000.00	4,584,000.00
2017	1,600,000.00	808,000.00	-	-	-	2,201,000.00	4,609,000.00
2018	3,070,000.00	728,000.00	-	-	-	2,201,000.00	5,999,000.00
2019	3,000,000.00	574,500.00	-	-	-	2,201,000.00	5,775,500.00
2020	4,000,000.00	435,750.00	-	-	-	2,201,000.00	6,636,750.00
2021	4,300,000.00	225,750.00	-	-	-	2,201,000.00	6,726,750.00
2022	-	-	1,253,286.00	4,146,714.00	-	2,201,000.00	7,601,000.00
2023	-	-	1,862,820.00	7,137,180.00	-	2,201,000.00	11,201,000.00
2024	-	-	-	-	-	2,201,000.00	2,201,000.00
2025	-	-	-	-	-	2,201,000.00	2,201,000.00
2026	-	-	1,468,000.00	8,532,000.00	-	2,201,000.00	12,201,000.00
2027	-	-	-	-	-	2,201,000.00	2,201,000.00
2028	-	-	-	-	-	2,201,000.00	2,201,000.00
2029	-	-	-	-	-	2,201,000.00	2,201,000.00
2030	-	-	-	-	-	2,201,000.00	2,201,000.00
2031	-	-	-	-	5,000,000.00	2,201,000.00	7,201,000.00
2032	-	-	-	-	5,000,000.00	1,846,000.00	6,846,000.00
2033	-	-	-	-	10,000,000.00	1,491,000.00	11,491,000.00
2034	-	-	-	-	11,000,000.00	781,000.00	11,781,000.00
	$19,020,000.00	$9,037,088.89	$4,584,106.00	$19,815,894.00	$31,000,000.00	$52,001,977.78	$135,459,066.67

TORRANCE UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
General Obligation Bonds, Election of 2008 (Measure Z), Series 2009B-1

DEBT SERVICE

	Measure Z Series 2009B-1 Bonds				
	Current Interest Bonds		Capital Appreciation Bonds		
Period Ending August 1,	Principal	Interest	Principal	Interest Paid at Maturity	Total Debt Service
2010	$ -	$ 96,947.22	$ -	$ -	$ 96,947.22
2011	-	128,312.50	-	-	128,312.50
2012	-	128,312.50	-	-	128,312.50
2013	-	128,312.50	-	-	128,312.50
2014	300,000.00	128,312.50	-	-	428,312.50
2015	400,000.00	119,312.50	-	-	519,312.50
2016	675,000.00	105,312.50	-	-	780,312.50
2017	1,000,000.00	80,000.00	-	-	1,080,000.00
2018	1,000,000.00	40,000.00	-	-	1,040,000.00
2019	-	-	1,050,192.00	749,808.00	1,800,000.00
2020	-	-	1,068,960.00	1,931,040.00	3,000,000.00
2021	-	-	-	-	-
2022	-	-	-	-	-
2023	-	-	-	-	-
2024	-	-	768,495.65	1,234,861.52	2,003,357.17
2025	-	-	540,051.05	962,234.48	1,502,285.53
2026	-	-	965,879.80	1,901,211.03	2,867,090.83
2027	-	-	1,736,379.35	3,763,633.18	5,500,012.53
2028	-	-	1,716,340.35	4,084,930.97	5,801,271.32
2029	-	-	1,691,291.60	4,408,836.50	6,100,128.10
2030	-	-	1,117,174.25	3,182,564.59	4,299,738.84
2031	-	-	1,168,273.70	3,629,794.97	4,798,068.67
2032	-	-	1,089,119.65	3,683,954.18	4,773,073.83
2033	-	-	1,112,164.50	4,088,900.54	5,201,065.04
2034	-	-	1,520,960.10	6,069,039.90	7,590,000.00
	$3,375,000.00	$954,822.22	$15,545,282.00	$39,690,809.86	$59,565,914.08

Outstanding Bonds

In addition to each series of the Bonds, the District has outstanding four additional series of bonds, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District. The District received authorization at an election held on November 3, 1998, by a two-thirds majority of the votes cast by eligible voters within the District to issue up to $42,500,000 of bonds (the "1998 Authorization"). On March 2, 1999, the District issued $30,000,000 aggregate principal amount of bonds as the first series under the 1998 Authorization (the "Series 1999 Bonds"). On August 9, 2001, the District issued $12,499,152.30 aggregate principal amount of bonds as the second series under the 1998 Authorization (the "Series 2001 Bonds"). As discussed above, on February 5, 2009, the County, at the request of the District, issued $58,000,000 of bonds (the "Measure Y Series 2009 Bonds") as the District's first series under the District's Measure Y 2008 Authorization and $36,000,000 of bonds (the

"Measure Z Series 2009 Bonds") as the District's first series under the District's Measure Z 2008 Authorization.

Aggregate Debt Service

Debt service on all of the District's outstanding bonds, including each series of the Bonds, assuming no early redemptions, is as shown in the following table.

Period Ending August 1,	Series 1999 Bonds	Series 2001 Bonds	Measure Y Series 2009 Bonds	Measure Z Series 2009 Bonds	Measure Y Series 2009B Bonds	Measure Z Series 2009B-1 Bonds	Total Annual Debt Service
2010	$ 4,186,462.50	$ 239,250.00	$ 6,748,537.50	$2,193,750.00	$2,372,066.67	$ 96,947.22	$ 15,837,013.89
2011	4,357,650.00	283,312.50	8,543,662.50	3,055,750.00	3,139,500.00	128,312.50	19,508,187.50
2012	-	4,850,000.00	8,855,262.50	3,207,750.00	3,139,500.00	128,312.50	20,180,825.00
2013	-	5,100,000.00	6,473,637.50	3,151,750.00	3,139,500.00	128,312.50	17,933,200.00
2014	-	5,350,000.00	5,447,137.50	2,995,750.00	3,789,500.00	428,312.50	18,010,700.00
2015	-	5,520,000.00	4,640,762.50	3,043,750.00	4,020,000.00	519,312.50	17,743,825.00
2016	-	-	3,750,762.50	2,887,750.00	4,584,000.00	780,312.50	12,002,825.00
2017	-	-	3,534,262.50	2,210,750.00	4,609,000.00	1,080,000.00	11,434,012.50
2018	-	-	2,787,062.50	2,508,750.00	5,999,000.00	1,040,000.00	12,334,812.50
2019	-	-	3,106,062.50	2,456,250.00	5,775,500.00	1,800,000.00	13,137,812.50
2020	-	-	1,237,875.00	1,403,750.00	6,636,750.00	3,000,000.00	12,278,375.00
2021	-	-	1,237,875.00	4,903,750.00	6,726,750.00	-	12,868,375.00
2022	-	-	6,237,875.00	4,715,625.00	7,601,000.00	-	18,554,500.00
2023	-	-	3,269,125.00	4,777,500.00	11,201,000.00	-	19,247,625.00
2024	-	-	2,845,500.00	3,075,937.50	2,201,000.00	2,003,357.17	10,125,794.67
2025	-	-	3,738,000.00	3,705,000.00	2,201,000.00	1,502,285.53	11,146,285.53
2026	-	-	573,000.00	540,000.00	12,201,000.00	2,867,090.83	16,181,090.83
2027	-	-	573,000.00	540,000.00	2,201,000.00	5,500,012.53	8,814,012.53
2028	-	-	573,000.00	540,000.00	2,201,000.00	5,801,271.32	9,115,271.32
2029	-	-	573,000.00	540,000.00	2,201,000.00	6,100,128.10	9,414,128.10
2030	-	-	2,823,000.00	2,640,000.00	2,201,000.00	4,299,738.84	11,963,738.84
2031	-	-	2,738,000.00	2,414,000.00	7,201,000.00	4,798,068.67	17,151,068.67
2032	-	-	2,700,000.00	2,694,000.00	6,846,000.00	4,773,073.83	17,013,073.83
2033	-	-	2,756,000.00	2,650,000.00	11,491,000.00	5,201,065.04	22,098,065.04
2034	-		-	-	11,781,000.00	7,590,000.00	19,371,000.00
Total:	$ 8,544,112.50	$ 21,342,562.50	$ 85,762,400.00	$ 62,851,562.50	$135,459,066.67	$59,565,914.08	$373,525,618.25

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on each series of the Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues will be deposited by the County in the Interest and Sinking Fund of the District, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

Property Taxation System

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

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

Assessed Valuation of Property Within the District

Taxable property located in the District has a 2009-10 assessed value of $23,923,479,961. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below under the heading, State-Assessed Property.

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

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

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

Under California law, a city or county can create a redevelopment agency in territory within one or more school districts. Upon formation of a "project area" of a redevelopment agency, most property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as "tax increment") belong to the redevelopment agency, causing a loss of tax revenues to other local taxing agencies, including school districts, from that time forward. However, taxes collected for payment of debt service on school bonds are not affected or diverted by the operation of a redevelopment agency project area. Moreover, some school districts have negotiated "pass-through agreements" with their local redevelopment agencies, entitling the district to receive a portion of the tax increment revenue that would otherwise belong to the redevelopment agency (provided such revenue is not pledged and needed to pay debt service on redevelopment agency tax-increment bonds). In some cases the pass-through is mandated by statute.

Shown in the following table is the assessed valuation of the various classes of property in the District in recent years.

TORRANCE UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
Assessed Valuations
Fiscal Years 2004-05 through 2009-10

Fiscal Year	Local Secured	Utility	Unsecured	Total Before Redevelopment Increment	Total After Redevelopment Increment[1]
2004-05	$16,693,573,048	$8,415,698	$1,017,171,831	$17,719,160,577	$17,185,548,779
2005-06	18,002,372,561	6,263,751	995,514,858	19,004,151,170	18,437,630,068
2006-07	19,678,773,171	5,418,076	1,006,025,079	20,690,216,326	20,076,363,334
2007-08	21,129,393,163	2,270,103	1,030,564,377	22,162,227,643	21,486,648,809
2008-09	22,288,792,301	2,270,103	1,069,308,827	23,360,371,231	22,483,783,836
2009-10	22,789,435,493	13,723,745	1,120,320,723	23,923,479,961	23,017,225,819

(1) Special (voter-approved) *ad valorem* property taxes collected for payment of debt service on school district bonds are based on assessed valuation before reduction for redevelopment increment and such special *ad valorem* property taxes are not affected or diverted by the operation of a redevelopment agency project area.
Source: California Municipal Statistics, Inc.

Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc.

When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year.

Bonding Capacity. As a unified school district, the District may issue bonds in an amount up to 2.5% of the assessed valuation of taxable property within its boundaries. The District's gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $598.08 million and its net bonding capacity is approximately $484.0 million (taking into account current outstanding debt before issuance of the Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Land Use. The following table gives a distribution of taxable property located in the District on the 2009-10 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

TORRANCE UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
Assessed Valuation and Parcels by Land Use

	2009-10 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial	$ 4,332,018,763	19.01%	1,480	3.63%
Vacant Commercial	64,466,177	0.28	104	0.26
Industrial	2,031,340,193	8.91	686	1.68
Vacant Industrial	110,625,791	0.49	68	0.17
Recreational	29,367,383	0.13	21	0.05
Government/Social/Institutional	116,831,066	0.51	113	0.28
Possessory/Mineral Rights/Unknown	1,781,178,512	7.82	483	1.18
Subtotal Non-Residential	$ 8,465,827,885	37.15%	2,955	7.25%
Residential:				
Single Family Residence	$ 10,091,834,654	44.28%	28,971	71.08%
Condominium/Townhouse	2,381,265,179	10.45	6,564	16.10
Mobile Home Park	30,299,148	0.13	15	0.04
2-4 Residential Units	592,324,626	2.60	1,411	3.46
5+ Residential Units/Apartments	1,204,660,803	5.29	654	1.60
Vacant Residential	23,223,198	0.10	191	0.47
Subtotal Residential	$ 14,323,607,608	62.85%	37,806	92.75%
TOTAL	$ 22,789,435,493	100.00%	40,761	100.00%

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

Assessed Valuation of Single-Family Homes. The following table shows the assessed valuation of single-family homes in the District for fiscal year 2009–10.

TORRANCE UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
Assessed Valuation of Single Family Homes

Per Parcel 2009-10 Assessed Valuation of Single Family Homes

	No. of Parcels	2009-10 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	28,971	$10,091,834,654	$348,343	$318,204

2009-10 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	74	0.255%	0.255%	$ 222,291	0.002%	0.002%
$25,000 - $49,999	89	0.307	0.563	3,713,738	0.037	0.039
$50,000 - $74,999	1,116	3.852	4.415	74,291,015	0.736	0.775
$75,000 - $99,999	3,413	11.781	16.196	296,154,069	2.935	3.710
$100,000 - $124,999	2,156	7.442	23.637	240,745,214	2.386	6.095
$125,000 - $149,999	1,342	4.632	28.270	183,021,796	1.814	7.909
$150,000 - $174,999	771	2.661	30.931	125,026,913	1.239	9.148
$175,000 - $199,999	693	2.392	33.323	130,221,958	1.290	10.438
$200,000 - $224,999	875	3.020	36.343	186,086,639	1.844	12.282
$225,000 - $249,999	980	3.383	39.726	232,299,977	2.302	14.584
$250,000 - $274,999	1,078	3.721	43.447	283,022,308	2.804	17.388
$275,000 - $299,999	1,078	3.721	47.168	309,680,128	3.069	20.457
$300,000 - $324,999	1,090	3.762	50.930	340,339,968	3.372	23.829
$325,000 - $349,999	1,138	3.928	54.858	384,168,182	3.807	27.636
$350,000 - $374,999	1,092	3.769	58.628	395,852,061	3.922	31.559
$375,000 - $399,999	1,077	3.718	62.345	417,699,216	4.139	35.698
$400,000 - $424,999	1,105	3.814	66.159	455,673,084	4.515	40.213
$425,000 - $449,999	1,046	3.611	69.770	457,373,573	4.532	44.745
$450,000 - $474,999	963	3.324	73.094	444,886,567	4.408	49.153
$475,000 - $499,999	864	2.982	76.076	420,659,676	4.168	53.322
$500,000 and greater	6,931	23.924	100.000	4,710,696,281	46.678	100.000
Total	28,971	100.00%		$10,091,834,654	100.00%	

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

Largest Taxpayers in District. The twenty taxpayers with the greatest combined ownership of taxable property in the District on the 2009-10 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

TORRANCE UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
Largest 2009-10 Local Secured Taxpayers

	Property Owner[1]	Primary Land Use	2009-10 Assessed Value	Percent of Total[2]
1.	Del Amo Fashion Center Operating Co. LLC	Shopping Center	$ 513,639,579	2.25%
2.	Toyota Motor Sales USA Inc.	Office Building	477,137,128	2.09
3.	American Honda Motor Co. Inc.	Office Building	387,285,080	1.70
4.	Mobil Oil Corp.	Industrial	262,531,040	1.15
5.	Allied Signal Inc.	Industrial	102,159,133	0.45
6.	CTC Group Inc.	Hotel	63,149,474	0.28
7.	Diamondrock Torrance Owner LLC	Hotel	62,919,615	0.28
8.	Ball Metal Beverage Container Co. RP	Industrial	61,809,442	0.27
9.	Sunrider Corp.	Office Building	61,216,728	0.27
10.	Rreef America REIT III Corp. GG2	Industrial	60,343,199	0.26
11.	Del Amo Financial Center LP	Commercial	60,208,921	0.26
12.	Alcoa Global Fasteners Inc.	Industrial	59,909,613	0.26
13.	MSK Fairfield Milano LLC	Apartments	58,527,871	0.26
14.	Sears Roebuck and Co.	Shopping Center	54,531,847	0.24
15.	Prologis MacQuarie US LLC	Industrial	53,579,096	0.24
16.	Dominguez Investment Company LLC	Office Building	53,550,000	0.23
17.	TIC RI Torrance 22 LLC	Hotel	52,040,400	0.23
18.	Suncal Torrance Properties LLC	Shopping Center	51,496,110	0.23
19.	Torrance Health Association Inc.	Industrial	51,141,390	0.22
20.	Del Amo Associates LLC	Shopping Center	51,063,704	0.22
			$2,598,239,370	11.40%

[1] Excludes taxpayers with values derived from mineral rights and/or possessory interest.
[2] 2009-10 Local Secured Assessed Valuation: $22,789,435,493.
Source: California Municipal Statistics, Inc.

Tax Rates

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

The rate of tax necessary to pay fixed debt service on the Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

Typical Tax Rate Area. The following table shows *ad valorem* property tax rates for the last several years in a typical Tax Rate Area of the District (TRA 9340) over the five year period from 2004-05 through 2008-09. This Tax Rate Area comprises approximately 78.14% (based on 2008-09 assessed valuation) of the total assessed value of the District.

TORRANCE UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
Typical Total Tax Rates per $100 of Assessed Valuation (TRA 9340)
Fiscal Years 2004-2005 Through 2008-09

	2004-05	2005-06	2006-07	2007-08	2008-09
1% General Fund Levy	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Los Angeles County	.000923	.000795	.000663	-	-
El Camino Community College District	.016558	.018381	.017326	.016467	.017026
Torrance Unified School District	.016912	.018848	.017992	.016953	.017312
Los Angeles County Flood Control District	.000245	.000049	.000052	-	-
Metropolitan Water District	.005800	.005200	.004700	.004500	.004300
Total	1.040438%	1.043273%	1.040733%	1.037920%	1.038638%

Source: California Municipal Statistics, Inc.

In accordance with the law which permitted the Bonds to be approved by a 55% popular vote, bonds approved by the District's voters at the November 4, 2008 election may not be issued unless the District projects that repayment of all outstanding bonds approved at the election will require a tax rate no greater than $60.00 per $100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Bonds, the District projects that the maximum tax rate required to repay the Bonds and all other outstanding bonds approved at the November 4, 2008 election will be within that legal limit. The tax rate test applies only when new bonds are issued, and is not a legal limitation upon the authority of the County Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Bonds in each year.

Tax Charges and Delinquencies

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

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

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the County Treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The County Treasurer may also bring a civil suit against the taxpayer for payment.

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

The following table shows real property tax charges and delinquencies in the District for the fiscal years 2003-04 through 2007-08.

TORRANCE UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2003-04 through 2007-08

Fiscal Year	Secured Tax Charge[1]	Amount Delinquent as of June 30	Percent Delinquent June 30
2003-04	$ 31,548,467.88	$ 692,436.97	2.19%
2004-05	33,397,857.40	785,468.28	2.35
2005-06	35,960,639.86	927,679.60	2.58
2006-07	38,863,769.91	1,466,891.44	3.77
2007-08	42,258,254.38	2,113,033.16	5.00

[1] 1% General Fund apportionment. Excludes redevelopment agency impounds.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt. Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. and effective October 1, 2009 for debt issued as of September 10, 2009. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The table generally includes long-term obligations sold in the public credit markets by the public agencies listed. 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.

TORRANCE UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
Statement Of Direct And Overlapping Bonded Debt
As of September 10, 2009

2009-10 Assessed Valuation:	$23,923,479,961
Redevelopment Incremental Valuation:	906,254,142
Adjusted Assessed Valuation:	$23,017,225,819

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 10/1/09
Los Angeles County Flood Control District	2.421%	$ 2,050,708
Metropolitan Water District	1.220	3,579,785
El Camino Community College District	30.353	53,191,794
Torrance Unified School District	100.000	114,079,152[2]
Los Angeles County Regional Park and Open Space Assessment District	2.408	5,361,653
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$ 178,263,092
OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	*2.408%*	*$ 21,562,902*
Los Angeles County Pension Obligations	2.408	5,675,436
Los Angeles County Superintendent of Schools Certificates of Participation	2.408	317,506
Torrance Unified School District Qualified Zone Academy Bonds	100.000	2,320,000
City of Torrance Certificates of Participation	99.900	45,779,175
Los Angeles County Sanitation District No. 5 Authority	28.649	16,303,912
Los Angeles County Sanitation South Bay Cities Authority	4.725	458,143
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 92,417,074
Less: Torrance Unified School District Qualified Zone Academy Bonds supported by Investment Fund		951,908
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 98,180,642
GROSS COMBINED TOTAL DEBT		$270,680,166[3]
NET COMBINED TOTAL DEBT		$269,728,258

(1) Based on 2008-09 ratios.
(2) Excludes Bonds to be sold.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009-10 Assessed Valuation:
Direct Debt ($114,079,152) 0.48%
Total Direct and Overlapping Tax and Assessment Debt ... 0.75%

Ratios to Adjusted Assessed Valuation:
Gross Combined Direct Debt ($116,399,152) 0.51%
Net Combined Direct Debt ($115,447,24,) 0.50%
Gross Combined Total Debt 1.18%
Net Combined Total Debt 1.17%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: $0

Source: California Municipal Statistics, Inc.

TAX MATTERS

Series 2009B-1 Bonds Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2009B-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2009B-1 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is such interest included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C: "PROPOSED FORMS OF OPINIONS OF BOND COUNSEL" hereto.

To the extent the issue price of the Series 2009B-1 Bonds of any given maturity date is less than the amount to be paid at maturity of such Series 2009B-1 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2009B-1 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Series 2009B-1 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2009B-1 Bonds is the first price at which a substantial amount of such maturity of the Series 2009B-1 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2009B-1 Bonds accrues daily over the term to maturity of such Series 2009B-1 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2009B-1 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2009B-1 Bonds. Beneficial owners of the Series 2009B-1 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2009B-1 Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Series 2009B-1 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2009B-1 Bonds is sold to the public.

Series 2009B-1 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2009B-1 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2009B-1 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2009B-1 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2009B-1 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2009B-1 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2009B-1 Bonds. Accordingly, the opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2009B-1 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2009B-1 Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, or clarification of the Code, or court decisions, may cause interest on the Series 2009B-1 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, or clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2009B-1 Bonds. Prospective purchasers of the Series 2009B-1 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2009B-1 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2009B-1 Bonds ends with the issuance of the Series 2009B-1 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the beneficial owners regarding the tax exempt status of the Series 2009B-1 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2009B-1 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Series 2009B-1 Bonds, and may cause the District or the beneficial owners to incur significant expense.

Series 2009B-2 Bonds Tax Matters

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming compliance with certain covenants, interest on the Series 2009B-2 Bonds is exempt from State of California personal income taxes. Interest on the Series 2009B-2 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Series 2009B-2 Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix C: "PROPOSED FORMS OF OPINIONS OF BOND COUNSEL" hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series 2009B-2 Bonds that acquire their Series 2009B-2 Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2009B-2 Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire their Series 2009B-2 Bonds pursuant to this offering for the issue price that is applicable to such Series 2009B-2 Bonds (i.e., the price at which a substantial amount of the Series 2009B-2 Bonds are sold to the public) and who will hold their Series 2009B-2 Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Series 2009B-2 Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Series 2009B-2 Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2009B-2 Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2009B-2 Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2009B-2 Bonds (including their status as U.S. Holders or Non-U.S. Holders).

For U.S. Holders.

The Series 2009B-2 Bonds are not expected to be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes because the stated redemption price at maturity of the Series 2009B-2 Bonds is not expected to exceed their issue price, or because any such excess is expected to only be a *de minimis* amount (as determined for tax purposes).

Prospective investors that are not individuals or regular C corporations who are U.S. persons purchasing the Series 2009B-2 Bonds for investment should consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the Series 2009B-2 Bonds.

Disposition of the Series 2009B-2 Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, defeasance, retirement (including pursuant to an offer by the District) or other disposition of a Series 2009B-2 Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2009B-2 Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2009B-2 Bond which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted tax basis in the Series 2009B-2 Bond (generally, the purchase price paid by the U.S. Holder for the Series 2009B-2 Bond, decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss.

In the case of a non-corporate U.S. Holder of the Series 2009B-2 Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series 2009B-2 Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

For Non-U.S. Holders.

Interest. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," payments of principal of, and interest on, any Series 2009B-2 Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the District through stock ownership and (2) a bank which acquires such Series 2009B-2 Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Series 2009B-2 Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Series 2009B-2 Bonds. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition of a Series 2009B-2 Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series 2009B-2 Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to such Series 2009B-2 Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. U.S. information reporting and "backup withholding" requirements apply to certain payments of principal of, and interest on the Series 2009B-2 Bonds, and to proceeds of the sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition of a Series 2009B-2 Bond, to certain non-corporate holders of Series 2009B-2 Bonds that are United States persons. Under current U.S. Treasury Regulations, payments of principal and interest on any Series 2009B-2 Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Series 2009B-2 Bond or a financial institution holding the Series 2009B-2 Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. If a financial institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will not be required to furnish to the IRS the names of the beneficial owners of the Series 2009B-2 Bonds that are not United States persons and copies of such owners' certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable U.S. Treasury Regulations.

In the case of payments to a foreign partnership, foreign simple trust or foreign grantor trust, other than payments to a foreign partnership, foreign simple trust or foreign grantor trust that qualifies as a withholding foreign partnership or a withholding foreign trust within the meaning of applicable U.S. Treasury Regulations and payments to a foreign partnership, foreign simple trust or foreign grantor trust that are effectively connected with the conduct of a trade or business within the United States, the partners of the foreign partnership, the beneficiaries of the foreign simple trust or the persons treated as the owners of the foreign grantor trust, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from withholding and backup withholding tax requirements. The current backup withholding tax rate is 28% (subject to future adjustment).

In addition, if the foreign office of a foreign "broker," as defined in applicable U.S. Treasury Regulations, pays the proceeds of the sale of a Bond to the seller of the Series 2009B-2 Bond, backup withholding and information reporting requirements will not apply to such payment provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are U.S. persons (as defined in U.S. Treasury Regulations Section 1.1441-1(c)(2)) who, in the aggregate hold more than 50% of the income or capital interest in the partnership or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a Series 2009B-2 Bond, will not be subject to backup withholding unless the payer has actual knowledge that the payee is a U.S. person. Principal and interest so paid by the U.S. office of a custodian, nominee or agent, or the payment by the U.S. office of a broker of the proceeds of a sale of a Series 2009B-2 Bond, is subject to backup withholding requirements unless the beneficial owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

Circular 230.

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the District and its tax advisors are (or may be) required to inform prospective investors that:

i. any advice contained herein is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer;

ii. any such advice is written to support the promotion or marketing of the Bonds and the transactions described herein; and

iii. each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

OTHER LEGAL MATTERS

Legal Opinion

The validity of each series of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to each series of the Bonds at the time of issuance of such series substantially in the forms set forth in Appendix C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Legality for Investment in California

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

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of each series of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than eight months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2008-09 Fiscal Year (which is due no later than March 1, 2010) and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System"). The notices of material events will be filed by the District with the Municipal Securities Rulemaking Board through the EMMA System. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in Appendix D: "FORMS OF CONTINUING DISCLOSURE CERTIFICATES." These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The District has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

No Litigation

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

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

MISCELLANEOUS

Ratings

Moody's Investors Service ("Moody's") and Standard & Poor's Rating Services ("Standard & Poor's") have assigned their respective ratings of "Aa3" and "AA-" to each series of the Bonds. Rating agencies generally base their ratings on their own investigations, studies and assumptions. The ratings reflect only the view of the rating agency furnishing the same, and any explanation of the significance of such ratings should be obtained only from the rating agency providing the same. Such ratings are not a recommendation to buy, sell or hold the Bonds There is no assurance that any ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds. The Underwriter and the District have not undertaken any responsibility after the offering of the Bonds to assure the maintenance of the ratings or to oppose any such revision or withdrawal.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and as Disclosure Counsel with respect to each series of the Bonds, and will receive compensation from the District contingent upon the sale and delivery of each series of the Bonds.

Underwriting

The Measure Y Series 2009B Bonds are being purchased for reoffering to the public by George K. Baum & Co. (the "Underwriter") pursuant to the terms of a bond purchase contract executed on October 15, 2009, by and among the District, the County and the Underwriter (the "Measure Y Purchase Contract"). The Underwriter has agreed to purchase the Measure Y Series 2009B Bonds at a price of $60,977,078.28 (consisting of the aggregate principal amount thereof, $54,604,106.00, plus net original issue premium of $7,088,633.70, less underwriter's discount of $600,645.17, and less costs of issuance the Underwriter has agreed to pay on behalf of the District in the amount of $115,106.25). The Measure Y Purchase Contract provides that the Underwriter will purchase all of the Measure Y Series 2009B Bonds, subject to certain terms and conditions set forth in the Measure Y Purchase Contract, including the approval of certain legal matters by counsel.

The Measure Z Series 2009B-1 Bonds are being purchased for reoffering to the public by the Underwriter pursuant to the terms of a bond purchase contract executed on October 15, 2009, by and among the District, the County and the Underwriter (the "Measure Z Purchase Contract"). The Underwriter has agreed to purchase the Measure Z Series 2009B-1 Bonds at a price of $19,265,440.40 (consisting of the aggregate principal amount thereof, $18,920,282.00, plus net original issue premium of $647,868.75, less underwriter's discount of $208,123.10, and less costs of issuance the Underwriter has agreed to pay on behalf of the District in the amount of $94,587.25). The Measure Z Purchase Contract provides that the Underwriter will purchase all of the Measure Z Series 2009B-1 Bonds, subject to certain terms and conditions set forth in the Measure Z Purchase Contract, including the approval of certain legal matters by counsel.

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

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

TORRANCE UNIFIED SCHOOL DISTRICT

By: /s/ George Mannon, Ed.D.
Superintendent

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this appendix concerning the operations of the Torrance Unified School District (the "District"), the District's finances, and State of California (the "State") funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District or from State revenues. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and Constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal and interest on each series of the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District was established in 1947 and is located in the western side of Los Angeles County, boarded by the Palos Verdes Peninsula on the south, the Cities of Redondo Beach and Gardena on the north, the City of Carson on the east and the Pacific Ocean on the west. The District encompasses within its boundaries all of the City of Torrance. The District's jurisdiction includes approximately 21 square miles. The District currently operates 17 elementary schools, 8 middle schools, 5 high schools, one of which is a continuation school, and 3 adult schools. The District estimates that total current enrollment is approximately 24,600 students.

Board of Education

The governing board of the District is the Board of Education of the Torrance Unified School District (the "Board"). The Board consists of five members who are elected at large to overlapping four-year terms at elections held every two years. If a vacancy arises during any term, the vacancy is filled by an appointment by the majority vote of the remaining board members and if there is no majority by a special election. Each December, the Board elects a President and a Clerk to serve one-year terms. The name, office and the month and year of the expiration of the term of each member of the Board is described below.

TORRANCE UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)

Board of Education

Name	Office	Term Expires
Albert Y. Muratsuchi, Esq.	President	December 2009
Mark Steffen	Vice President	December 2009
Don Lee	Clerk	December 2011
Michael P. Ernst, Ph.D.	Member	December 2009
Terry Ragins	Member	December 2011

Superintendent and Administrative Personnel

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. Information concerning the Superintendent and certain other key administrative personnel is set forth below.

George Mannon, Ed.D., Superintendent. The Board appointed Dr. Mannon as Superintendent effective September 15, 2005. Dr. Mannon came to the District from Glendora Unified School District where he served as superintendent since July, 2000. Previously, he was the superintendent of the Tustin Unified School District from 1996 to 2000 and the superintendent of the Carlsbad Unified School District from 1993 to 1996.

Dr. Mannon has worked in public education since 1973 when he was a social studies teacher at Charleston high School in West Virginia. He went on to serve as a high school assistant principal at Charleston High School and as principal of Woodrow Wilson Junior High School, also in Charleston. He then served as an execute director for the Kanawha County Schools in West Virginia from 1984 to 1987. From 1987 to 1993, Dr. Mannon worked for the Phoenix Union High School District as a high school principal, assistant superintendent for Employee Relations and deputy superintendent.

Dr. Mannon received a bachelor's degree in social studies from the University of Tennessee, a master's degree in history from Marshall University in West Virginia, and a doctorate in education administration from Arizona State University.

Dr. Mannon has been involved in community affairs through membership in various education and service organizations. He has been an active member of Rotary International for 18 years and was president of the Tustin Rotary Club from 1999-2000. He is currently a member of the Torrance Del Amo Rotary Club. Dr. Mannon is a member of the Torrance Young Men's Christian Association (YMCA) Board of Managers, and on the Board of Directors of the Torrance Cultural Arts Foundation and the Torrance Area Chamber of Commerce.

Donald Stabler, Ed.D., Deputy Superintendent, Administrative Services. Dr. Stabler began his career as an elementary teacher, moving on as an elementary principal, county schools business consultant, assistant superintendent/associate superintendent business services to his current position as deputy superintendent of administrative services where he is responsible for all non-educational functions of the district. He has received a bachelor's degree and master's degree in elementary education and a doctorate in education in Educational Administration along with the School Business Certifications from the University of Southern California and the California Association of School Business Officials.

Judy Chai – Fiscal Services Officer. The Board appointed Ms. Chai as Fiscal Services Officer effective July 1, 2003. Ms. Chai comes to the District from the Palos Verdes Peninsula Unified School District where she served as Fiscal Services Director and Senior Fiscal Director since February of 2000. Previously, she worked as the Fiscal Services Director and Controller for Rowland Unified School District from 1996 to 2000.

Ms. Chai worked in public accounting from 1988 to 1996 when she was a Certified Public Accountant at Deloitte & Touche, LLP. She received a bachelor's degree in Business Administration from National Taiwan University, and a master's degree in Professional Accounting from the University of Texas at Austin.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund and a local portion derived from the District's share of the countywide property tax. In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District receives approximately 65% of its general fund revenues from State funds, budgeted at approximately $120 million in fiscal year 2009-10. As a result, decreases in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

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

Adoption of Annual State Budget. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by a two-thirds vote of each house of the Legislature no later than June 15, although this deadline is routinely breached. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the amended 2009-10 Budget Act on July 29, 2009.

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

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

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

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005 and 2009 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006 (QEIA), have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle up amounts. The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds one fiscal year to the next, by permanently deferring the year end apportionment from June 30 to July 2; by suspending Proposition 98, as the State did in 2004-05; and by proposing to amend the Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

2009-10 State Budget. On September 24, 2008, the Governor signed the State budget for fiscal year 2008-09, the latest budget approval in State history. It is widely acknowledged that even by the time of its passage, the budget's revenue estimates were already too optimistic, in light of continuing weak performance in the California economy and unprecedented adverse developments in the global and national financial markets, particularly after September 15, 2008. The Governor declared a fiscal emergency in December 2008, and called three concurrent special legislative sessions in order to address the budget deficit then estimated to be $42 billion. In the face of growingly negative estimates of State tax receipts during fiscal year 2008-09, the Governor signed the State's fiscal year 2009-10 Budget Act on February 20, 2009 (the earliest date on record), essentially as a revised two year budget settlement for fiscal years 2008-09 and 2009-10. However, after the failure in May 2009 of six revenue and spending propositions on the statewide ballot, the passage of which were assumed in the budget bill, work began again on a fiscal year 2009-10 budget plan. On July 24, 2009, the Legislature approved a new budget package, which the Governor signed on July 28, 2009. For an accurate view of current Proposition 98 funding, one must treat these three recent budgets as a whole, and consider also the significant adjustments that have been left to future budget years.

The amended 2009-10 State Budget consisted of some 30 separate bills; subsequent legislation may affect final budget totals. Indeed, if the economy worsens, the assumptions in even the amended 2009-10 State Budget may prove unsustainable, and further cuts and revisions may be needed. Until audited fiscal year-end 2008-09 State revenues are known, the State cannot determine the final fiscal year 2008-09 Proposition 98 funding requirement. The following information relating to the funding of elementary and secondary education is adapted from the budget summaries prepared by Legislative Analyst's Office, the Governor's office and other sources.

The amended 2009-10 State Budget achieves balance through spending cuts, additional revenue generation, borrowing from local governments and others, revenue shifts from redevelopment agencies, and other accounting changes; all of these techniques are also present in the adopted Proposition 98 funding plan. Fiscal year 2008-09 Proposition 98 funding for K-12 schools is reduced to \$43.1 billion (\$9 billion less than the level assumed in the adopted 2008-09 State Budget, and \$1.6 billion less than the February 2009 amended amount); fiscal year 2009-10 funding is established at \$44.6 billion (\$3.7 billion less than the February 2009 adopted amount). Over \$10.1 billion in mandated Proposition 98 funding is deferred to future years: the so-called "maintenance factor." Of budgeted Proposition 98 funding, \$1.7 billion is shifted to school districts from property taxes and other moneys belonging to redevelopment agencies. Funding is also delayed in several ways: \$2 billion is deferred from the first months of fiscal year 2009-10 to December 2009 and January 2010, while \$1.8 billion will not be paid until August 2010-11. Mandated settle-up payments of \$450 million for prior years under the Quality Education Investment Act are also deferred, effectively to fiscal year 2014-15. Cost of living adjustments of over 18% are deferred, creating a future obligation of over \$6.5 billion. Categorical funding of \$1.6 billion intended for fiscal year 2008-09 that had not been funded by June 30, 2009, is treated as fiscal year 2009-10 categorical funding, but an equal amount of minimum guarantee funding is eliminated. For those districts that would otherwise receive no Proposition 98 minimum guarantee funding from the State, categorical funding is reduced by \$80 million. In addition, the Governor vetoed \$3.9 million of approved spending for special education transportation costs.

State savings is also achieved by lifting various mandates and restrictions on local school districts: full flexibility is allowed to spend funding for 42 categorical programs as districts wish through 2012-13; the penalties associated with class-size reduction in grades K-3 are largely reduced, and the minimum days of instruction are reduced from 180 to 175, through reduced or suspended financial penalties on districts that do not meet existing requirements; districts are excused from buying new approved instructional materials; proceeds of surplus land sales otherwise restricted to capital improvements are permitted to be used for general fund expenditures through 2011; the general fund reserve requirement is reduced to one-third of the otherwise applicable percentage (3% of expenditures for a district with average daily attendance of up to 30,000), provided this is restored by 2011-12; the routine maintenance reserve requirement of 3% of general fund expenditures is suspended; and school districts that project they will not meet financial guidelines due to loss of federal stimulus funding in fiscal years 2011-12 and 2012-13 will not have their budgets negatively rated as a result.

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

State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

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

Proposition 1A is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 1A allows the State to divert up to 8% of local property tax revenues for State purposes (including, but not limited to, funding K-12 education) only if: (i) the Governor declares such action to be necessary due to a State fiscal emergency; (ii) two-thirds of both houses of the Legislature approve the action; (iii) the amount diverted is required by statute to be repaid within three years; (iv) the State does not owe any repayment to local agencies for past property tax or Vehicle License Fee diversions to local agencies; and (v) such property tax diversions do not occur in more than two of any ten consecutive fiscal years. Because ERAF shifts will be capped and limited in frequency, school and college districts that receive Proposition 98 funding from the State will be more directly dependent upon the State's general fund.

The amended 2009-10 State Budget includes a Proposition 1A diversion of $1.935 billion in local property tax revenues from cities, counties, and special districts to the State to offset State general fund spending for education and other programs. Such diverted revenues must be repaid, with interest, no later than June 30, 2013. The amended 2009-10 State Budget diverts another $1.7 billion in local property tax revenues from local redevelopment agencies, but this is not covered by Proposition 1A, and may be subject to lawsuits by such affected local agencies.

Future Budgets and Budgetary Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2009-10 and in future fiscal years. Continued State budget shortfalls in fiscal year 2009-10 and future fiscal years could have a material adverse financial impact on the District.

Allocation of State Funding to School Districts. Under Education Code Section 42238 and following, each school district is determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance ("A.D.A."). The base revenue limit is calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district is the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution.

Enrollment can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the district to make adjustments in fixed operating costs.

The following table sets forth (i) the District's actual A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal years 2004-05 through 2008-09, and (ii) the District's projected A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal year 2009-10, for kindergarten through grade 12 ("K-12"), including special education.

Torrance Unified School District
Average Daily Attendance, Enrollment And Base Revenue Limit
Fiscal Years 2004-05 Through 2009-10

Fiscal Year	Average Daily Attendance	Enrollment	Base Revenue Limit Per Unit of Average Daily Attendance
2004-05	24,704	25,447	$ 4,922.47
2005-06	24,657	25,428	5,133.47
2006-07	24,674	25,288	5,535.33
2007-08	24,083	25,013	5,787.33
2008-09[1]	24,024	24,808	6,116.33
2009-10[2]	23,828	24,600	6,377.33

(1) The District had a 7.844% base revenue limit deficit in fiscal year 2008-09, resulting in a funded base revenue limit of $5,636.57.
(2) Figures are projections. The District also expects a 18.355% base revenue limit deficit and a 4.25% cost of living adjustment in fiscal year 2009-10, which results in net funding of a negative 7.64% and a funded base revenue limit of $5,206.77.
Source: The District.

In its 2009-10 revised budget, the District projects that it will receive approximately $119.9 million in aggregate revenue limit income in fiscal year 2009-10, or approximately 65.3% of its general fund revenues. State funds for special programs are budgeted to be $16 million for 2009-10. The District also expects to receive a small portion of its budget from State lottery funds, which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is currently budgeted at $3,754,000 for fiscal year 2009-10.

Local Sources of Education Funding

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

The District is not a "basic aid district." Local property tax revenues account for approximately 37% of the District's aggregate revenue limit income, and are budgeted to be $44 million, or 24% of total general fund revenue in fiscal year 2009-10. For a discussion of legal limitations on the ability of the

District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" below.

Developer Fees

The District collects developer fees to finance essential school facilities within the District. The following table of developer fee revenues reflects the collection of fees from fiscal years 2005-06 through fiscal year 2009-10.

TORRANCE UNIFIED SCHOOL DISTRICT
Developer Fees
Fiscal Years 2005-06 through 2009-10

Year	Total Revenues
2005-06	$1,546,171
2006-07	2,005,830
2007-08	763,120
2008-09	301,128
2009-10[1]	200,000

[1] Projected.
Source: The District.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K through 12 school districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2008, which are included as Appendix B.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following table contains data abstracted from financial statements prepared by the District's independent auditor, Moss, Levy & Hartzheim, Beverly Hills, California, California for fiscal years 2004-05 through 2007-08. Moss, Levy & Hartzheim has not been requested to consent to the use or to the inclusion of its report in this Official Statement, and it has neither audited nor reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

TORRANCE UNIFIED SCHOOL DISTRICT
(County of Los Angeles, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2003-2004 through 2007-08

	2003-04 Actuals	2004-05 Actuals	2005-06 Actuals	2006-07 Actuals	2007-08 Actuals
REVENUES					
Revenue Limit Sources:					
State apportionments	*$ 62,675,008*	*$ 79,793,655*	*$ 88,694,201*	*$ 96,706,025*	*$ 101,583,766*
Local sources	52,974,257	41,535,203	39,833,222	41,903,790	41,987,099
Federal	8,595,604	8,297,546	8,295,924	8,412,662	8,465,227
Other state	33,440,364	35,128,008	37,721,344	47,906,458	45,493,037
Other local	4,046,195	3,910,540	5,026,114	6,888,963	5,679,260
Total revenues	161,731,428	168,664,952	179,570,805	201,817,898	203,208,389
EXPENDITURES					
Certificated salaries	83,673,541	80,763,177	82,503,967	89,731,226	93,109,511
Classified salaries	25,975,910	25,892,522	26,328,710	29,404,200	31,166,642
Employee benefits	28,040,195	33,398,549	33,878,223	34,778,417	35,710,663
Books and supplies	5,507,322	5,617,280	4,510,243	7,207,484	9,062,947
Contracted services and other operating expenses	14,816,451	15,036,990	16,603,421	18,861,633	20,250,857
Capital outlay	199,743	222,085	981,816	5,882,357	6,246,281
Other outgo	7,084,117	6,686,196	7.459,471	7,840,159	9,095,217
Direct Support/Indirect Costs	(791,743)	-	-	-	-
Debt Service:					
Principal	-	196,442	246,667	313,387	103,390
Interest and fiscal charges	-	22.570	20,811	17,602	9,394
Total expenditures	164,505,536	167,835,811	172,533,329	194,036,465	204,754,902
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,774,108)	829,141	7,037,476	7,781,433	(1,546,513)
OTHER FINANCING SOURCES (USES):					
Proceeds from long term debt	-	-	2,320,000	18,559	-
Transfers in	-	1,032,000	500,000	406,253	1,900,000
Transfers out	-	(1,048,000)	(1,114,497)	(1,151,614)	(1,192,167)
Total Other Financing Sources (Uses)	-	(16,000)	1,705,503	(726,802)	707,833
Net Change in Fund Balances	(2,774,108)	813,141	8,742,979	7,054,631	(838,680)
Fund Balances, July 1	6,667,091	1,366,228	2,179,369	10,922,348	17,976,979
Prior period adjustment	(2,526,755)	-	-	-	-
Fund Balances, June 30	$ 1,366,228	$ 2,179,369	$ 10,922,348	$ 17,976,979	$ 17.138,299

Source: District Audited Financial Reports for Fiscal Years 2003-04 through 2007-08.

District Budget Process and County Review

State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Los Angeles County Superintendent of Schools.

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

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

A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the County Superintendent. The District has not had any qualified certification since Fiscal Year 2004-05.

The following table summarizes the District's adopted General Fund Budgets for fiscal years 2007-08, 2008-09 and 2009-10, and unaudited actuals for fiscal years 2007-08 and 2008-09.

TORRANCE UNIFIED SCHOOL DISTRICT
General Fund Budgets for Fiscal Years 2007-08, 2008-09 and 2009-10 and Unaudited Actuals for Fiscal Years 2007-08 and 2008-09

	2007-08 Original Adopted Budget	2007-08 Unaudited Actuals	2008-09 Original Adopted Budget	2008-09 Unaudited Actuals	2009-10 Revised Adopted Budget[2]
REVENUES					
Revenue Limit Sources	$143,383,768.00	$143,570,865.62	$141,215,618.00	$136,669,939.97	$119,921,712.00
Federal Revenue	7,825,000.00	8,465,226.98	7,568,000.00	18,414,196.02	15,471,000.00
Other State Revenue	43,460,000.00	45,493,036.77	43,103,000.00	40,860,859.67	44,275,618.00
Other Local Revenue	3,876,000.00	5,674,378.80[1]	4,072,000.00	4,782,350.27	3,790,000.00
TOTAL REVENUES	198,544,768.00	203,203,508.17[1]	195,958,618.00	200,727,345.93	183,458,330.00
EXPENDITURES					
Certificated Salaries	92,189,000.00	93,109,510.35	90,884,000.00	89,021,097.93	87,185,300.00
Classified Salaries	30,010,000.00	31,166,642.32	30,471,000.00	29,731,028.88	31,158,595.00
Employee Benefits	35,299,000.00	35,710,663.29	36,247,000.00	34,230,823.97	34,275,170.00
Books and Supplies	5,581,000.00	9,062,947.19	6,671,000.00	5,274,211.11	7,516,000.00
Services, Other Operating Expenditures	18,398,000.00	20,250,857.05	20,734,000.00	19,800,638.90	20,496,000.00
Capital Outlay	4,448,000.00	6,246,280.97	835,916.00	856,642.42	-
Other Outgo (excluding Transfers of Indirect/Direct Supporting Costs)	9,699,000.00	9,949,661.08	9,154,000.00	8,395,345.09	8,429,000.00
Transfers of Indirect/Direct Support Costs	(760,000.00)	(746,541.58)	(712,605.00)	(690,876.63)	(350,455.00)
TOTAL EXPENDITURES	194,864,000.00	204,750,020.67[1]	194,284,311.00	186,618,911.67	188,709,610.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES	3,680,768.00	(1,546,512.50)	1,674,307.00	14,108,434.26	(5,251,280.00)
OTHER FINANCING SOURCES/USES					
Interfund Transfers					
Transfer In	1,900,000.00	1,900,000.00	200,000.00	1,819,785.00	200,000.00
Transfers Out	1,550,000.00	1,192,166.96	1,100,000.00	-	-
Other Sources/Uses					
Sources	-	-	-	114,808.29	-
Uses	-	-	-	-	-
Contributions	-	-	-	-	-
TOTAL, OTHER SOURCES (USES)	350,000.00	707,833.04	(900,000.00)	1,934,593.29	200,000.00
NET INCREASE (DECREASE) IN FUND BALANCE	4,030,768.00	(838,679.46)	774,307.00	16,043,027.55	(5,051,280.00)
BEGINNING FUND BALANCE, July 1	16,014,667.02	17,976,979.01	17,138,299.55	17,138,299.55	33,181,327.10
ENDING BALANCE, June 30	$ 20,045,435.02	$ 17,138,299.55	$ 17,912,606.55	$ 33,181,327.10	$ 28,130,047.10[3]

(1) The figures differ from the District's Audited Financial Report for fiscal year 2007-08 due to a capital lease payment made directly from a high school booster club. The amount is not included in the Unaudited Actuals since the District did not pay it. It is treated as a donation to the District and an expense of the District in the District's audited financial statements, therefore, increasing the revenue and expenses by the same amount without impacting the ending balance.

(2) The District's original adopted budget has been revised to reflect the amended 2009-10 State Budget enacted into law on July 28, 2009. The District cannot make any predictions regarding any future budget legislation or its effect on school finance. Further adjustments to the District's 2009-10 budget may be necessary to the extent additional revisiosn to the amended 2009-10 State Budget are enacted into law. See "–State Funding of Education; State Budget Process – 2009-010 State Budget" above.

(3) The District's revised 2009-10 budget provides a positive ending general fund balance for fiscal year 2009-10 and the District currently projects that reserves designated for economic uncertainties will meet minimum State requirements and that the District will maintain a positive ending general fund balance in fiscal year 2010-11. However, the District projects that as much as $9 million of ongoing cuts may be necessary to maintain projected reserves designated for economic uncertainties at minimum State requirements and to provide a positive ending general fund balance in fiscal year 2011-12. The District's staff is currently formulating a plan to reduce expenditures in order to meet the State minimum reserve requirement in fiscal year 2011-12. Failure to take corrective actions to meet the State minimum reserve requirement in fiscal year 2011-12 could jeopardize the District's current positive certification status under A.B. 1200 when the District is required to file its first interim report in December 2009.

Source: District Adopted General Fund Budgets for fiscal years 2007-08, 2008-09 and 2009-10; unaudited actuals for fiscal year s 2007-08 and 2008-09.

District Debt Structure

Long-Term Debt Summary. A schedule of changes in the District's long-term obligations for the year ended June 30, 2008 consisted of the following:

	Balance July 1, 2007	Additions	Deletions	Prior Period Adjustment	Balance July 1, 2008	Due Within One Year
Compensated absences	$ 2,239,669	$ 15,482	$	$ -	$ 2,255,151	$ 60,000
Bonds payable[1]	29,804,152	-	2,920,000	-	26,884,152	3,230,000
Unmatured interest payable Capital appreciation bonds	3,468,556	700,531	-	-	4,169,087	-
Capital leases	265,856	-	49,216	-	216,640	51,595
Loans payable	327,519	-	47,845	-	279,674	49,099
Supplemental employee retirement plan (SERP)	1,757,512	4,967,690	945,871		5,779,331	-
Other Postemployment benefits (OPEB)	10,237,496	2,086,252	1,885,111	(10,237,496)	201,141	1,805,180
Claims payable	6,505,000	-	-	-	6,505,000	-
SCROC settlement payable	178,313	-	59,437		118,876	59,437
QZAB	2,320,000	-	-	-	2,320,000	-
Totals	$57,104,073	$7,769,955	$5,907,480	$(10,237,496)	$48,729,052	$5,255,311

(1) Excludes general obligation bonds of the District issued on February 5, 2009, in the aggregate principal amount of $94,000,000 and the Bonds to be issued.

General Obligation Bonds. The District received authorization at an election held on November 3, 1998, by a two-thirds majority of the votes cast by eligible voters within the District to issue up to $42,500,000 of general obligation bonds (the "1998 Authorization"). On March 2, 1999, the District issued $30,000,000 aggregate principal amount of general obligation bonds as the first series under the 1998 Authorization (the "Series 1999 Bonds"). On August 9, 2001, the District issued $12,499,152.30 aggregate principal amount of general obligation bonds as the second series under the 1998 Authorization (the "Series 2001 Bonds").

The outstanding general obligation debt of the District as of June 30, 2008, was as follows:

Date of Issue	Maturity Date	Amount of Original Issue	Outstanding July 1, 2007	Issued Current Fiscal Year	Redeemed Current Fiscal Year	Outstanding June 30, 2008
March 2, 1999	2011	$30,000,000	$17,480,000	$	$2,845,000	$14,635,000
August 9, 2001	2015	12,499,152	12,324,152	-	75,000	12,249,152
		$42,499,152	$29,804,152	$ -	$2,920,000	$26,884,152

(1) Excludes general obligation bonds of the District issued on February 5, 2009, in the aggregate principal amount of $94,000,000 and the Bonds to be issued.

At an election held on November 4, 2008, the District received authorization (i) under Measure Y, to issue bonds of the District in an aggregate principal amount not to exceed $265,000,000 to finance critical core facility improvements (the "Measure Y 2008 Authorization"), and (ii) under Measure Z, to issue bonds of the District in an aggregate principal amount not to exceed $90,000,000 to finance selectred additional facility improvements (the "Measure Z 2008 Authorization" and together with the Measure Y 2008 Authorization, the "Authorizations"). Each Measure required approval by at least 55% of the votes cast by eligible voters within the District. Measure Y received an approval vote of approximately 74.13% and Measure Z received an approval vote of approximately 71.23%. On February

5, 2009, the District issued the first series of the authorized bonds under the Measure Y 2008 Authorization in the aggregate principal amount of $58,000,000 and under the Measure Z 2008 Authorization in the aggregate principal amount of $36,000,000.

See also "THE BONDS—Aggregate Debt Service" in the front portion of this Official Statement for the annual debt service requirements for all of the District's outstanding general obligation bonds.

Capital Leases. The District is leasing equipment under agreements, which provides for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Fiscal Year Ending June 30,	Lease Payments
2010	$ 87,264
2011	87,264
2012	82,383
2013	26,100
2014	8,700
	291,711
Less amount representing interest	(25,512)
Present value of net minimum lease payments	$266,199

Loans Payable. In June 2002, the District received a $471,000 loan from the State of California Energy Commission to improve facilities. Interest rate on the loan is 3% and the District is obligated to make semi-annual payments of $24,233 beginning December 22, 2002. Balance of the loan at June 30, 2009, is $181,397. Future loan payments are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2010	$ 43,346	$ 5,120	$ 48,466
2011	44,655	3,811	48,466
2012	46,000	2,466	48,466
2013	47,396	1,070	48,466
Totals	$181,397	$12,467	$193,864

The District also entered into a loan agreement with California Department of Education in an amount of $70,253. The purpose of the loan is to improve a child care facility for the child care development program. The loan is payable over ten installment payments with zero percent interest. As of June 30, 2009, the loan balance was $49,178.

Fiscal Year Ended June 30	Principal
2010	$ 7,025
2011	7,025
2012	7,025
2013	7,025
2014	7,025
2015-2016	14,053
Totals	$49,178

Claims Payable. Third party administration provides data on estimated claim liabilities (paid and reserves). As of June 30, 2009, the estimated outstanding liability was $6,505,000 for workers' compensation. Such amounts were calculated based upon an outside actuarial valuation as of June, 2005 and have been accrued in the accompanying government-wide financial statements. The District's liability for claims payable is based on claims reserves established by the claims administrators and actuarial studies. The claims liability includes an allowance for incurred, but not reported losses.

Southern California Regional Occupational Center (SCROC) Settlement Payable. During Fiscal Year 2006-07, the District had entered into a settlement agreement with SCROC to repay special education funds which the District owed since fiscal year 2003. The settlement agreement will be paid over four years with an annual payment of $59,437. As of June 30, 2009, the balance was $59,437.

Qualified Zone Academy Bonds (QZAB). The District issued an interest free Qualified Zone Academy Bond ("QZAB") in September, 2005 in the amount of $2,320,000 for the purpose of acquiring equipment and making improvements to various school sites. The QZAB will mature in September, 2021. The terms of the QZAB are such that the District makes annual deposits into a sinking fund held by U.S. Bank National Association, as trustee, commencing September, 2006. The deposits and the earnings thereon are held by the trustee as collateral until the payment of the debt on the maturity date. The funds on deposit with the trustee are invested such that the deposits and interest earned is projected to be sufficient to repay the debt in full upon maturity. The amount on deposit in the sinking fund is reported as a restricted investment on the government-wide statement of net assets. During the fiscal year, $120,429 was deposited into the sinking fund and as of June 30, 2009 the balance in the sinking fund was $374,106.

Employment

As of June 30, 2009, the District employed 1,300 certificated professionals and approximately 972 classified full time equivalent employees. For the year ended June 30, 2009, the total certificated and classified payrolls were $91,890,224 (unaudited) and $34,514,017 (unaudited), respectively.

District employees are represented by employee bargaining units as follows:

Name of Bargaining Unit	Number of Employees Represented (Full time equivalent)	Current Contract Expiration Date
Torrance Teachers Association	1,229	June 30, 2009[1]
California School Employees Association, Torrance Chapter 845	349	June 30, 2009[1]
School Employees International Union Local 99	239	June 30, 2011
California School Employees Association, Torrance Chapter 19	185	June 30, 2009[1]

[1] The District is currently negotiating a new contract and expects to, but cannot guarantee that it will, reach a satisfactory agreement with this bargaining unit.
Source: The District.

Retirement Benefits

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

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

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

As of June 30, 2007, an actuarial valuation for the entire system, including enhanced benefits, showed an estimated unfunded actuarial liability of $20.7 billion. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions.

CalSTRS has developed options to address the shortfall but most would require legislative action. In addition, in the Governor's 2005–06 Proposed State Budget and the 2005-06 May Revise of the 2005-06 Proposed Budget, the Governor proposed increasing the fixed contribution rate from 8.25% to 10.25% for school districts. Subsequently, the final 2005-06 State Budget was adopted with a contribution rate of 8.25%. In addition to the proposal by the Governor to increase the fixed contribution rate for school districts, other proposals have been suggested that would modify the District's obligation to make contributions to CalSTRS to closely parallel the full cost of the retirement benefits provided by CalSTRS, which proposals would include components for unfunded liability. If these proposals were adopted, the District's annual obligations to CalSTRS would likely increase substantially.

The District's employer contributions to CalSTRS for fiscal years 2006-07, 2007-08 and 2008-09 were $7,562,161, $7,857,198 and $7,475,826 (unaudited), respectively, and were equal to 100 percent of the required contributions for each year. The District projects that its employer contributions to CalSTRS for fiscal year 2009-10 will be approximately $7,062,000.

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

According to the CalPERS State and Schools Actuarial Valuation as of June 30, 2007, the CalPERS Plan for Schools had a funded ratio of 107.8% on a market value of assets basis. It is expected that the funded ratio will be less as of June 30, 2008, as the rate of return on assets in fiscal year 2007-08 was 2.4%. On October 22, 2008, CalPERS announced that employer rates for fiscal year 2008-09 would be unaffected by the market losses experienced in October 2008. CalPERS indicated that rates were built using investment returns from earlier periods, and the effect of the current market downturn in October 2008 will be unknown until investment returns are determined for the fiscal year ending June 30, 2009.

The District's employer contributions to CalPERS for fiscal years 2006-07, 2007-08 and 2008-09 were $2,577,065, $2,765,309 and $2,827,743 (unaudited), respectively, and were equal to 100 percent of the required contributions for each year. The District projects that its employer contributions to CalPERS for fiscal year 2009-10 will be approximately $2,902,000.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in Appendix B: "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2008, Note 19.

Other Post Employment Benefits (OPEBs)

Other Post Employment Benefit Plans. In addition to the retirement plan benefits with CalSTRS and CalPERS, the District provides certain other post employment benefits ("OPEBs"), in accordance with District employment contracts, to all employees who retire from the District that meet the specific criteria for the various plans. Currently the District has seven different plans. However, only two plans allow new retirees to participate. Descriptions of the plans are as follows:

1. Certificated 1997 – 1987: Minimum of 10 years of service with the District, must be age 55 or older up to age 61. The District will provide the retiree an annual contribution of the same annual amount given to active certificated bargaining members, towards the costs of their medical and dental premiums for the lifetime of the retiree. The 2007-08 annual contributions were $5,200, and, as of June 30, 2008, there were 128 retirees enrolled in this plan.

2. Certificated 1986 – 1987: Minimum of 15 years of service with the District, must be age 55 or older up to age 59. The District will provide the retiree an annual contribution of the lowest cost of a dental and medical plan for the lifetime of the retiree. The 2007-08 annual contributions were $5,200, and, as of June 30, 2008, there were 25 retirees enrolled in this plan.

3. Certificated/Classified 1998 – 1999: Minimum of 10 years of service with the District, and must be age 55 or older. The District will provide the retiree an annual contribution of $3,000 towards the cost of their medical premium up to age 65. As of June 30, 2008, the District had 2 retirees enrolled in this plan.

4. Group 5 – Certificated 1990 – 1993: Minimum of 10 years of service with the District, and must be age 55 or older. The District will provide the retiree an annual contribution of $3,000 towards the cost of their medical premium for the lifetime of the retiree. As of June 30, 2008, the District had 107 retirees enrolled in this plan.

5. Group 5 – Certificated 1996 – 1997: Minimum of 10 years of service with the District, and must be age 55 or older. The District will provide the retiree an annual contribution of $3,000 towards the cost of their medical premium up to age 75. As of June 30, 2008, the District had 22 retirees enrolled in this plan.

6. Certificated/Classified Medical Retirement Plan October 2000: Minimum of 10 years of service with the District, and must be age 55 or older. The District will provide the retiree an annual contribution of $3,000 (increases 2% each year from 2000) towards the costs of their medical premium up to a maximum of 5 years, or age 65, whichever comes first, but no less than 2 years. The 2007-08 annual contribution is $3,360. As of June 30, 2008, the District had 119 retirees enrolled in this plan.

7. Certificated/Classified Regular Retiree – Any benefit eligible employee who is eligible for retirement under CalPERS or CalSTRS, and has 5 years of service with the District may continue their health insurance through the District providing the retiree pays the full cost of the medical premiums. As of June 30, 2008, the District had 477 retirees enrolled in this plan.

The District does not contribute towards the cost of dental and vision benefits for retirees. The ability to obtain coverage at an active employee rate constitutes a significant economic benefit to the retirees, called on "implicit subsidy" under Governmental Accounting Standards Board ("GASB") Statement Number 45 ("GASB 45"). The inclusion of the retirees increase the District's overall health insurance rates; it is, in part, the purpose of the GASB 45 actuarial valuation (discussed below) to determine the amount of the subsidy.

GASB 45. GASB 45 requires accrual accounting for the expensing of other post-employment benefits ("OPEBs") much like municipalities are required to account for pension benefits. The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis, which has been the practice for most municipalities and public sector organizations. OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. The District implemented GASB 45 in Fiscal Year 2007-08. However, the District has determined that it will continue to address its OPEB liability on a pay-as-you-go basis. See "–District Funding Policy" below.

District Funding Policy. The contribution requirement of plan members and the District are established under a funding policy approved by the District's Board of Education, and may be amended by the District from time to time. The District's current funding policy is to contribute an amount sufficient to pay the current year's retiree claim costs and plan expenses. For Fiscal Year 2008-09, the District contributed $1,693,427 (unaudited) to the plan, including current claim costs and plan expenses. The District has not established an irrevocable trust to prefund its OPEB liability, and no prefunding of benefits has been made by the District.

Actuarial Valuation. Total Compensation Systems, Inc., Agoura Hills, California, has prepared two actuarial valuations covering all of the District's retiree health insurance benefits and reports that, as of July 1, 2007, the District had an accrued unfunded liability of $18,566,089. As of July 1, 2007, a change to an accrual funding method in accordance with GASB 45 would have required an annual required contribution for the fiscal year beginning of such date of $2,086,252. However, as indicated above, the District currently intends to continue on a pay-as-you-go basis and not to pre-fund its OPEB obligations.

These benefits are described in Note 11 to the District's financial statements attached hereto APPENDIX B: "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2008."

Capital Financing Plan

The District has adopted a capital facilities financing plan to modernize, renovate and, in certain cases, rebuild existing facilities over the next 9 years. The total capital facilities costs are expected to exceed $365 million. These costs are expected to be funded from a variety of sources, including $355 million in general obligation bonds authorized in November, 2008, more than $12 million in State modernization funds to be requested by the District under the state building program, developer fees and deferred maintenance funds. State modernization funds depend upon the sale of general obligation bonds by the State, and no assurance can be given that the full amount requested by the District will be funded. The State currently has no bond funds available to fund the District's modernization applications and the funding of the District's applications is dependent upon future State bond authorizations being approved by the voters. The plan is to renovate the District's 30 schools, two of its adult education facilities and certain support facilities.

Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures

The District participates in two joint ventures under joint powers agreements: CSAC Excess Insurance Authority and School Excess Liability Fund (SELF).

CSAC Excess Insurance Authority. CSAC Excess Insurance Authority is a joint powers agency that provides excess liability and property damage coverage for various cities, counties and school districts.

School Excess Liability Fund (SELF). SELF provides excess liability and property damage coverage for various school districts throughout Southern California. SELF is governed by an elected board who represents the member districts.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

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

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

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

Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

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

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

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the California Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979, thereby adding Article XIIIB to the State Constitution ("Article XIIIB"). Under Article XIIIB state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The District's budgeted appropriations from "proceeds of taxes" (sometimes referred to as the "Gann limit") for the 2008-09 fiscal year are equal to the allowable limit of $140,658,528, and estimates an appropriations limit for 2009-10 of $139,450,111. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Article XIIIC and Article XIIID of the California Constitution

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

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

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

Statutory Limitations

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

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

Proposition 98 and Proposition 111

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

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

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

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

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

Applications of Constitutional and Statutory Provisions

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

Future Initiatives

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

APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2008

TORRANCE UNIFIED
SCHOOL DISTRICT
COUNTY OF LOS ANGELES
TORRANCE, CALIFORNIA

AUDIT REPORT
June 30, 2008

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FINANCIAL SECTION

MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS
RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

9107 WILSHIRE BLVD., SUITE 400
BEVERLY HILLS, CA 90210
TEL: 310 273 2745
FAX: 310 273 1689
www.mhcpas.com

INDEPENDENT AUDITOR'S REPORT

Board of Education
Torrance Unified School District
Torrance, California

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Torrance Unified School District as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Torrance Unified School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to the basic financial statements, the District adopted Governmental Accounting Standards Board Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*, Governmental Accounting Standards Board Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and GASB Statement No. 50, *Pension Disclosures – An Amendment of GASB Statements No. 25 and No 27*, effective July 1, 2007.

The Management's Discussion and Analysis on pages 3 through 6, and the budgetary comparison schedule on page 39 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 5, 2009, on our consideration of the Torrance Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Moss, Levy & Hartzheim

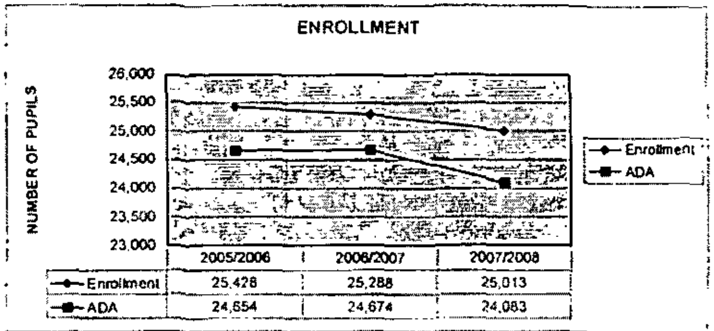
MOSS, LEVY & HARTZHEIM, LLP
Beverly Hills, California
January 5, 2009

MISSION OF THE SCHOOL DISTRICT

The mission of the District is to ensure that each and every student is prepared to succeed in life. This is accomplished in an environment of trust and respect that fosters positive attitudes toward self, others, work, and responsible citizenship. We are dedicated to maximizing individual potential and developing lifelong learners who will be contributing members in a global society.

ENROLLMENT

The District primarily earns income through enrollment converted to Average Daily Attendance (ADA). Enrollment is simply the total number of students enrolled in District schools; ADA is the Average Daily Attendance of those enrolled students. Average Daily Attendance computations are important because they are used as the basis for most of the District's General Fund revenue. In the District, the ADA figure generally amounts to approximately 97% of the average enrollment. The following illustrates the District enrollment and Average Daily Attendance (ADA) change over the prior and current year.



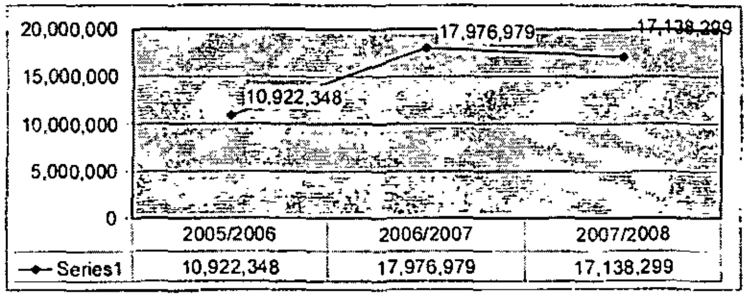
CAPITAL ASSETS

In the fiscal year 2001-2002, the District was required to implement GASB 34, which requires the inclusion of capital assets and related depreciation. The extent of not including these items would materially misstate the financial statements, resulting in an adverse opinion from the independent audit firm. Capital Assets are recorded with a historical cost, net of accumulated depreciation, of $112,149,531.

RESERVE

The purpose of a financial reserve is not simply for annual unforeseen emergencies; more important, a healthy reserve serves as financial "ballast" in a difficult year. Financial reserves enable the District to deficit finance over a short period of time, mitigating the impact of periodic

State income shortfalls upon the instructional programs. The state required minimum reserve for economic uncertainty for a district of our size is 3%. Ideally, the ending balance should remain relatively constant in proportion to total budget to provide a safeguard for economic difficulties. The chart below shows the District's General Fund ending balances for the period 2005/2006 through 2007/2008. In 2007-2008, the restricted portion of these funds was approximately 42%.



REPORTING THE SCHOOL DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

One of the most important questions about the District is "the District as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the District's financial statements, report information on the District as a whole and its activities in a way that helps you answer the question. We prepared these statements to include all assets and liabilities using the accrual basis of accounting that is similar to the accounting principals used by most private sector companies. This accrual basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when cash is received or paid. Both statements report the District's net assets, the difference between assets and liabilities as reported in the Statement of Net Assets, as one way to measure the District's financial health, or financial position. Over time, the increases or decreases in the District's net assets, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the district. The District's net assets were 100,982,412 at June 30, 2008. Of this amount, $86,458,210 represents investments in capital assets, net of related debt.

NET ASSET at June 30, 2008			
	Governmental Activities	Business-Type Activities	Total
Current Assets	$69,807,629	($11,303)	$69,796,326
Noncurrent Assets	$112,074,781	$74,750	$112,149,531
Total Assets	$181,882,410	$63,447	$181,945,857
Current Liabilities	$37,426,472	$63,232	$37,489,704
Noncurrent Liabilities	$43,473,741		$43,473,741
Total Liabilities	$80,900,213	$63,232	$80,963,445
Net Assets			
Invested in Capital Assets - Net of Debt	$86,383,460	$74,750	$86,458,210
Restricted for other Special Purposes	$8,469,686		$8,469,686
Unrestricted	$6,129,051	($74,535)	$6,054,516
TOTAL NET ASSETS	$100,982,197	$215	$100,982,412

CHANGE IN NET ASSET			
	Governmental Activities	Business-Type Activities	Total
Program Revenue	$55,790,903		$55,790,903
General Revenues	$170,632,352	$577,650	$171,210,002
Total Revenues	$226,423,255	$577,650	$227,000,905
Instruction	$139,855,880		$139,855,880
Instruction Related and Pupil Support Services	$36,772,924		$36,772,924
General Administration	$10,926,962		$10,926,962
Other	$34,524,285	$603,296	$35,127,581
Total Expenses	$222,080,051	$603,296	$222,683,347
CHANGE IN NET ASSETS	$4,343,204	($25,646)	$4,317,558

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund-Based Financial Statements

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

Governmental Funds

The major fund, like most funds of the District, is a Governmental Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Proprietary Funds

Proprietary Funds use full accrual basis of accounting. The District has a Self-Insurance Fund, which includes Health/Welfare, and Property/Liability. The District also started an Enterprise Fund in 2004-2005 to account for fee-based preschool program.

Fiduciary Funds

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operation. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

TORRANCE UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2008

Assets	Governmental Activities	Business-type Activities	Totals
Cash in county treasury	$ 37,001,100	$ 78,254	$ 37,079,354
Cash on hand and in banks	1,018,236		1,018,236
Revolving cash fund	50,000		50,000
Cash with fiscal agents	826,191		826,191
Investments	5,006,450		5,006,450
Accounts receivable	21,696,962	443	21,697,405
Internal balances	90,000	(90,000)	
Inventories, at cost	483,223		483,223
Deferred charges, net of accumulated amortization	38,281		38,281
Other assets	3,597,186		3,597,186
Land	1,711,019		1,711,019
Construction in progress	13,462,879		13,462,879
Buildings and improvements	154,616,510		154,616,510
Equipment	7,153,423	80,000	7,233,423
Less: accumulated depreciation	(64,869,050)	(5,250)	(64,874,300)
Total Assets	181,882,410	63,447	181,945,857
Liabilities			
Accounts payable	26,481,644	63,232	26,544,876
Interest payable	326,308		326,308
Deferred revenue	363,209		363,209
Note payable	5,000,000		5,000,000
Long-term liabilities:			
Due within one year	5,255,311		5,255,311
Due in more than one year	43,473,741		43,473,741
Total Liabilities	80,900,213	63,232	80,963,445
Net Assets			
Invested in capital assets, net of related debt	86,383,460	74,750	86,458,210
Restricted for:			
Capital projects	1,263,659		1,263,659
Educational programs	7,206,027		7,206,027
Unrestricted	6,129,051	(74,535)	6,054,516
Total net assets	$ 100,982,197	$ 215	$ 100,982,412

See notes to basic financial statements

TORRANCE UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	$ 139,855,880	$ 402,462	$ 33,965,554	$ -
Instruction-related services:				
Instructional supervision and *administration*	5,130,798		3,038,111	
Instructional library, media, and technology	831,633		172,778	
School site administration	12,834,387	124,291	1,503,780	
Pupil services:				
Home-to-school transportation	4,404,022	2,537	2,554,081	
Food services	5,902,092		1,612,727	
All other pupil services	7,669,992	12,358	1,573,597	
General administration:				
Centralized data processing	1,507,085			
All other general administration	9,419,877	26,696	1,077,089	
Plant services	16,498,169	60,704	2,115,941	
Ancillary services	2,326,714		128,240	
Interest on long-term debt	1,505,680			
Other outgo	10,069,807		7,419,957	
Unallocated depreciation	4,123,915			
Total governmental activities	222,080,051	629,048	55,161,855	
Business-type activities				
Preschool	603,296			
Total business-type activities	603,296			
Total government	$ 222,683,347	$ 629,048	$ 55,161,855	$ -

General revenues:
- Taxes and subventions:
  - *Taxes levied for general purposes*
  - Taxes levied for debt service
  - Tax levied for other specific purposes
- Federal and state aid not restricted to specific purposes
- Interest and investment earnings
- Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of fiscal year
Prior period adjustment
Net assets beginning of fiscal year, restated

Net assets end of fiscal year

See notes to basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
$ (105,487,864)	$ -	$ (105,487,864)
(2,092,687)		(2,092,687)
(658,855)		(658,855)
(11,206,318)		(11,206,316)
(1,847,404)		(1,847,404)
(4,289,365)		(4,289,365)
(6,084,037)		(6,084,037)
(1,507,085)		(1,507,085)
(8,316,092)		(8,316,092)
(14,321,524)		(14,321,524)
(2,198,474)		(2,198,474)
(1,505,680)		(1,505,680)
(2,649,850)		(2,649,850)
(4,123,915)		(4,123,915)
(166,289,148)		(166,289,148)
	(603,296)	(603,296)
	(603,296)	(603,296)
(166,289,148)	(603,296)	(166,892,444)
41,147,749		41,147,749
3,920,217		3,920,217
8,761		8,761
115,380,765		115,380,765
1,818,072	1,716	1,819,788
8,356,788	575,934	8,932,722
170,632,352	577,650	171,210,002
4,343,204	(25,646)	4,317,558
86,332,400	25,861	86,358,261
10,306,593		10,306,593
96,638,993	25,861	96,664,854
$ 100,982,197	$ 215	$ 100,982,412

TORRANCE UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash in county treasury	$ 15,834,640	$ 12,912,809	$ 28,747,449
Cash on hand and in banks		1,018,236	1,018,236
Cash in revolving fund	40,000	10,000	50,000
Cash with fiscal agents	816,600	9,591	826,191
Investments	5,006,450		5,006,450
Accounts receivable	18,447,099	3,239,784	21,686,883
Due from other funds	1,290,000	376,866	1,666,866
Inventory, at cost	416,048	67,175	483,223
Other assets	3,597,186		3,597,186
Total assets	$ 45,448,023	$ 17,634,461	$ 63,082,484
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 22,684,141	$ 2,259,300	$ 24,943,441
Due to other funds	376,866	1,200,000	1,576,866
Note payable	5,000,000		5,000,000
Deferred revenue	248,717	114,492	363,209
Total liabilities	28,309,724	3,573,792	31,883,516
Fund balances:			
Reserved fund balances:			
Reserved for revolving fund	40,000	10,000	50,000
Reserved for inventory	416,048	67,175	483,223
Reserved for legally restricted balances	7,206,027		7,206,027
Designated fund balances:			
Designated for economic uncertainties	8,508,003	2,022,160	10,530,163
Other designations	968,221	8,066,797	9,035,018
Undesignated		3,894,537	3,894,537
Total fund balances	17,138,299	14,060,669	31,198,968
Total liabilities and fund balances	$ 45,448,023	$ 17,634,461	$ 63,082,484

See notes to basic financial statements

TORRANCE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2008

Total fund balances - governmental funds		$ 31,198,968
In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation		
Capital assets at historical cost	$ 176,943,831	
Accumulated depreciation	(64,869,050)	
Net		112,074,781
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included on the statement of net assets are:		38,281
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred.		(326,308)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Compensated absences	$ (2,255,151)	
General obligation bonds payable	(31,053,239)	
Capital leases	(216,640)	
Loan payable	(279,674)	
Supplemental employee retirement plan	(5,779,331)	
Other postemployment benefit	(201,141)	
Claims payable	(6,307,000)	
SCROC settlement payable	(118,876)	
OZAB	(2,320,000)	
Total		(48,531,052)
Internal service fund is used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service fund is presumed to operate for the benefit of governmental activities, assets and liabilities of internal service fund are reported with governmental activities in the statement of net assets. (Included $198,000 claims payable)		6,527,527
Total net assets, governmental activities		$ 100,982,197

See notes to basic financial statements

TORRANCE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Revenue Limit Sources:			
State apportionments	$ 101,583,766	$ -	$ 101,583,766
Local sources	41,987,099		41,987,099
Federal	8,465,227	2,075,201	10,540,428
Other state	45,493,037	10,483,509	55,976,546
Other local	5,679,260	10,656,156	16,335,416
Total revenues	203,208,389	23,214,866	226,423,255
Expenditures:			
Certificated salaries	93,109,511	3,683,199	96,792,710
Classified salaries	31,166,642	4,732,783	35,899,425
Employee benefits	35,710,663	2,584,169	38,294,832
Books and supplies	9,062,947	3,091,528	12,154,475
Contracted services and other operating expenses	20,250,857	2,279,741	22,530,598
Capital outlay	6,246,281	996,286	7,242,567
Other outgo	9,095,217	746,541	9,841,758
Debt service			
Principal	103,390	2,973,108	3,076,498
Interest and fiscal charges	9,394	851,588	860,982
Total expenditures	204,754,902	21,938,943	226,693,845
Excess of revenues over (under) expenditures	(1,546,513)	1,275,923	(270,590)
Other Financing Sources (Uses):			
Transfers in	1,900,000	1,192,167	3,092,167
Transfers out	(1,192,167)	(1,900,000)	(3,092,167)
Total other financing sources (uses)	707,833	(707,833)	
Net change in fund balances	(838,680)	568,090	(270,590)
Fund balances, July 1, 2007	17,976,979	13,492,579	31,469,558
Fund balances, June 30, 2008	$ 17,138,299	$ 14,060,669	$ 31,198,968

See notes to basic financial statements

TORRANCE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

Total net change in fund balances - governmental funds	$	(270,590)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of $7,929,181 exceeds depreciation expense ($4,123,915) in the period.		3,805,266
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.		3,076,498
In the government-wide statements, expenses must be accrued in connection with any liability incurred during the period that are not expected to be liquidated with current financial resources, for example settlement payable. This year, expenses incurred for such obligation was:		
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. This represents the net amount of amortization over issue costs.		(2,908)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		(641,790)
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). The difference between compensated absences paid and compensated absences earned was:		(15,482)
In the statement of activities, postemployment benefits are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, the amounts earned exceed benefits used was:		(4,222,960)
Internal service fund is used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because the internal service fund is presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in the internal service fund was:		2,615,170
Changes in net assets of governmental activities	$	4,343,204

See notes to basic financial statements

TORRANCE UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	Enterprise Fund Torrance Community Preschool Fund	Governmental Activities Internal Service Fund Self-Insurance Fund
Assets:		
Current assets:		
Cash in county treasury	$ 78,254	$ 8,253,651
Accounts receivable	443	10,079
Total current assets	78,697	8,263,730
Non-current assets:		
Capital assets, net	80,000	
Less: accumulated depreciation	(5,250)	
Total non-current assets	74,750	
Total assets	153,447	8,263,730
Liabilities		
Current liabilities:		
Accounts payable	63,232	1,538,203
Due to other funds	90,000	
Claims payable		198,000
Total current liabilities	153,232	1,736,203
Net assets		
Invested in capital assets, net of related debt	74,750	
Unrestricted	(74,535)	6,527,527
Total net assets	$ 215	$ 6,527,527

See notes to basic financial statements

TORRANCE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For Fiscal Year Ended June 30, 2008

	Enterprise Fund — Torrance Community Preschool Fund	Governmental Activities Internal Service Fund — Self-Insurance Fund
Operating Revenues:		
Other local revenue	$ 575,934	$ 22,848,479
Total revenues	575,934	22,848,479
Operating Expenses:		
Certificated salaries	32,365	
Classified salaries	395,979	153,087
Employee benefits	148,139	52,526
Books and supplies	4,275	2,504
Contracted services and other operating expenses	21,038	20,172,263
Depreciation	1,500	
Total expenses	603,296	20,380,380
Operating income (loss)	(27,362)	2,468,099
Non-Operating Revenues (Expenses):		
Interest income	1,716	147,071
Total non-operating revenues (expenses)	1,716	147,071
Change in net assets	(25,646)	2,615,170
Net assets, July 1, 2007	25,861	3,843,260
Prior period adjustment		69,097
Net assets, July 1, 2007, restated	25,861	3,912,357
Net assets, June 30, 2008	$ 215	$ 6,527,527

See notes to basic financial statements

TORRANCE UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For Fiscal Year Ended June 30, 2008

	Enterprise Fund — Torrance Community Preschool Fund	Governmental Activities Internal Service Fund — Self-Insurance Fund
Cash flows from operating activities:		
Cash received from customers	$ 575,934	$ -
Cash received from insurance premiums		22,848,479
Cash paid for salaries and benefits	(515,733)	(205,613)
Cash paid for books and supplies	(4,275)	(2,504)
Cash paid for contracted services and other operating expenses	(38,150)	(19,945,027)
Cash received from other funds	10,000	
Cash paid to other funds		(8,000,000)
Net cash provided (used) by operating activities	27,776	(5,304,665)
Cash flows from investing activities:		
Interest received	1,945	384,225
Net increase (decrease) in cash and cash equivalents	29,721	(4,920,440)
Cash and cash equivalents at July 1, 2007	48,533	13,174,091
Cash and cash equivalents at June 30, 2008	$ 78,254	$ 8,253,651

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

	Enterprise Fund	Self-Insurance Fund
Operating income (loss)	$ (27,362)	$ 2,468,099
Adjustments to reconcile operating income to net cash provided (used)		
Depreciation	1,500	
Increase (decrease) in operating liabilities:		
Accounts payable	43,638	227,236
Due to other funds	10,000	(8,000,000)
Net cash provided (used) by operating activities	$ 27,776	$ (5,304,665)

See notes to basic financial statements

TORRANCE UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	Pension Trust Fund	Agency Funds		
	Retiree Benefits Fund	Warrant Pass-Through Fund	Student Body Funds	Totals
Assets				
Cash in county treasury	$ -	$ 557,458	$ -	$ 557,458
Cash on hand and in banks			1,932,769	1,932,769
Accounts receivable		241,225		241,225
Other current assets			54,499	54,499
Total assets		798,683	1,987,268	2,785,951
Liabilities				
Accounts payable		798,683		798,683
Due to student groups			1,987,268	1,987,268
Total liabilities		798,683	1,987,268	2,785,951
Net Assets				
Held in trust for pension benefit				
Total net assets	$ -	$ -	$ -	$ -

See notes to basic financial statements

TORRANCE UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY OF NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2008

	Pension Trust Fund
	Retiree Benefits Fund
Additions:	
Investment income	$ -
Total additions	
Deductions:	
Services and operating expenses	
Total deductions	
Change in Net Assets	
Net assets July 1, 2007	69,097
Prior period adjustment	(69,097)
Net assets July 1, 2007, restated	
Net assets June 30, 2008	$ -

See notes to basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with policies and procedures of the 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 (GASB) and the American Institute of Certified Public Accountants.

B. Reporting Entity

The reporting entity is the Torrance Unified School District. There are no component units included in this report which meet the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. Internal Service Fund activity is eliminated to avoid doubling revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. Government-wide statements differ from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation, with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

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

Fund Financial Statements:

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

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

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets for proprietary funds present increases (i.e., revenues) and decrease (i.e. expenses) in the net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses form operating items. Operating revenues and expenses generally result from proving services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Operating expenses for the internal service fund include the costs of insurance premiums and claims related to self-insurance.

Fiduciary funds are reported using the economic resources measurement focus.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

Revenues – exchange and non-exchange transactions:

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

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

Deferred revenue:

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

Expenses/expenditures:

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

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

E. Fund Accounting

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

Major Governmental Fund:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

Nonmajor Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains four nonmajor special revenue funds:

1. The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.

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

3. The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeterias.

4. The Deferred Maintenance Fund is used for the purpose of major repair or replacement of the District's property.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs. The District maintains one nonmajor debt service fund:

The Bond Interest and Redemption Fund is used to account for general obligation bond interest and redemption of bond principal.

Capital Projects Funds are used to account for the acquisition and/or construction of governmental capital assets. The District maintains two nonmajor capital projects funds:

1. The Building Fund is used to account for the acquisition of major capital facilities and buildings.

2. The Capital Facilities Fund is used to account for resources received from developers impact fees assessed under the provision the California Environmental Quality Act (CEQA).

Proprietary Funds:

Major Proprietary Fund

Enterprise Fund is established to account for operations that are financed and operated in a manner similar to private business enterprises, whereas the intent is that the costs of proving services on a continuing basis be financed or recovered primarily through user charges. The District maintains one major enterprise fund.

The Torrance Community Preschool Fund accounts for the before and after school childcare program funded by parent fees.

The Internal Service Fund is used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund:

The Self-Insurance Fund, which is used to provide medical benefits to its employees.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains four agency funds for the student body accounts. The funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The District also maintains one agency fund for the warrant pass-through fund. The warrant pass-through fund is used to hold dedicated funds for payroll and related expenses.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By State law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and District Superintendent during the fiscal year to give consideration to unanticipated income and expenditures.

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

G. Encumbrances

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

H. Statement of Cash Flows

For the purposes of the statement of cash flows, the enterprise fund considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

I. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to $100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

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

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq.. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with the Los Angeles County Treasury was not available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables.

3. Inventories and Prepaid Items

Inventory is recorded using the purchase method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventory is valued at the lower of cost (first-in, first out) or market and consists of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the period benefited.

4. Capital Assets

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

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, and air conditioning Systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression system	25
Outdoor equipment	Playground, radio towers, fuel tanks, Pumps	20
Machinery and tools	Shop and maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science and engineering	Lab equipment, scientific apparatus	10
Furniture and accessories	Classroom and other furniture	20
Business machines	Fax, duplicating and printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PCs, printers, network hardware	5

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Liabilities, and Equity (Continued)

4. Capital Assets (Continued)

Asset Class	Examples	Estimated Useful Life in Years
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative long-term	10 to 20
Audio visual equipment	Projectors, cameras (still and digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

5. Deferred Revenue

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

6. Compensated Absences

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

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond issuance costs are reported as prepaid expenses and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize issuance costs during the current period.

8. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The Reserve for Revolving Fund and Reserve for Inventory, reflect the portions of the fund balances represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Assets, Liabilities, and Equity (Continued)

9. Revenue Limit/Property Tax

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

The County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January1), and become delinquent if unpaid by August 31.

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

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

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

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

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

K. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 45

For the fiscal year ended June 30, 2008, the District early implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employees for Postemployment Benefits Other than Pensions". This Statement is effective for periods beginning after December 15, 2007 for a Phase 2 government (1999 total revenues less the $100 million and more than $10 million). This Statement establishes standards for accounting and financial reporting for state and local government employees that offer "Other Postemployment Benefits" (OPEB) and requires accrual basis measurement and recognition of OPEB expenses and liabilities that will result in recognition of expenses over periods that approximate employees' years of service. The retirees' active participation in the healthcare plan of the District establishes an "implicit rate subsidy". See note 11 for more details of the District's Plan and the effect on the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 48

For the fiscal year ended June 30, 2008, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues." The Statement is effective for periods beginning after December 15, 2006. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also contains provisions that apply to certain situations in which a government does not receive resources but, nevertheless, pledges or commits future cash flows generated by collecting specific future revenues. In addition, this Statement establishes accounting and financial reporting standards that apply to all intra-entity transfers of assets and future revenues. Implementation of GASB Statement No. 48 did not have an impact on the District's basic financial statements for the fiscal year ended June 30, 2008.

Governmental Accounting Standards Board Statement No. 50

For the fiscal year ended June 30, 2008, the District implemented GASB Statement No. 50, "Pension Disclosures – an Amendment of GASB Statements No. 25 and No. 27." The Statement is effective for periods beginning after June 15, 2007. This Statement establishes and modifies requirements related to financial reporting by pension plans and by employers that provide defined benefit and defined contribution pensions. Implementation of GASB Statement No. 50 did not have an impact on the District's basic financial statements for the fiscal year ended June 30, 2008.

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments at June 30, 2008, consisted of the following:

Cash in banks	$ 3,001,005
Cash and investments with the county treasury	37,636,812
Cash and investments with fiscal agent	5,832,641
Total cash and investments	$ 46,470,458

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash in county treasury, statement of net assets	$ 37,079,354
Cash on hand and in banks, statement of net assets	1,018,236
Cash in revolving fund, statement of net assets	50,000
Cash with fiscal agents, statement of net assets	826,191
Investments	5,006,450
Cash on hand and in banks, statement of fiduciary net assets	1,932,769
Cash in county treasury, statement of net fiduciary net assets	557,458
Total cash and investments	$ 46,470,458

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool ($37,636,812 as of June 30, 2008). The fair value of this pool as of that date, as provided by the plan sponsor, was $37,636,812. The District is considered to be an involuntary participant in the external pool. Interest is deposited in the participating funds. The County is restricted by Government Code Section 53635, pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balance on hand and in banks ($2,951,005 as of June 30, 2008) and in the revolving fund ($50,000) are insured up to $100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the County of Los Angeles. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Investments Authorized by Debt Agreements

Investment of note and debt proceeds held by trustees are governed by the provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
Guaranteed Investment Contract	N/A	None	None
Money Market Funds	N/A	None	None

Disclosures Relating to Interest Rate Risk

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

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

		Remaining Maturity (in Months)			
Investment Type	Carrying Amount	12 Months Or Less	13-24 Months	25-60 Months	More than 60 Months
Los Angeles County Investment Pool	$ 37,636,812	$ 37,636,812	$ -	$ -	$ -
Held by fiscal agent:					
Guaranteed Investment Contract	5,006,450	5,006,450			
Money Market Funds	826,191	826,191			
Total	$ 43,469,453	$ 43,469,453	$ -	$ -	$ -

Disclosures Relating to Credit Risk

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

				Rating as of Fiscal Year End		
Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	Not Rated
Los Angeles County Investment Pool	$37,636,812	N/A	$ -	$ -	$ -	$37,636,812
Held by fiscal agent:						
Guaranteed Investment Contract	5,006,450	N/A				5,006,450
Money Market Funds	826,191	N/A		826,191		
Total	$43,469,453		$ -	$ 826,191	$ -	$42,643,262

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments is as follows:

Issuer	Investment Type	Reported Amount
Citigroup Financial Product Inc	Guaranteed Investment Contract	$ 5,006,450

Custodial Credit Risk

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

As of June 30, 2008, none of the District's deposits with financial institutions in excess of the Federal Depository Insurance Corporation limits were held in uncollateralized accounts. As of June 30, 2008, the District's investments in the following types were held by the same broker-dealer (counterparty) that was used by the District to buy securities:

Investment Type	Reported Amount
Guaranteed Investment Contract	$ 5,006,450

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Los Angeles County Investment Pool).

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District's expenditures exceeded appropriations in individual funds as follows:

Fund		Excess Expenditures
Major Fund:		
General Fund:		
Other outgo	$	243,930
Debt Service:		
Principal	$	62,390
Interest and fiscal charges	$	1,394
Nonmajor Funds:		
Child Development Fund:		
Debt Service:		
Principal	$	7,025
Cafeteria Fund:		
Employee benefits	$	92,040
Contracted services and other operating expenditures	$	193,667
Capital outlay	$	74,879
Debt Service:		
Principal	$	46,083
Interest	$	10,200

NOTE 4 - RECEIVABLES

Receivables at June 30, 2008, consist of the following:

	General Fund	Other Governmental Funds	Torrance Preschool Fund	Self Insurance Fund	Fiduciary Funds
Federal Government:					
Federal programs	$ 1,978,918	$ 422,041	$ -	$ -	$ -
State Government:					
Apportionment	9,221,271				
Categorical aid programs	3,170,952	2,541,984			
Lottery	1,407,918				
Local Sources:					
Fees					
Interest	308,687	124,077	443	10,079	
Miscellaneous	2,359,353	151,682			241,225
	$ 18,447,099	$3,239,784	$ 443	$ 10,079	$ 241,225

NOTE 5 - INTERFUND TRANSACTIONS

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

Due From/Due To Other Funds

Individual fund receivable and payable balances at June 30, 2008, are as follows:

Fund	Interfund Receivables	Interfund Payables
Major Fund:		
General Fund	$ 1,290,000	$ 376,866
Major Enterprise Fund		
Torrance Community Preschool		90,000
Nonmajor Governmental Funds:		
Cafeteria Fund	376,866	
Child Development Fund		1,200,000
Totals	$ 1,666,866	$ 1,666,866

Interfund Transfers

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

NOTE 5 - INTERFUND TRANSACTIONS (Continued)

Interfund transfers for the 2007-2008 fiscal year, are as follows:

Fund	Transfers In	Transfers Out
Major Fund:		
General Fund	$ 1,900,000	$ 1,192,167
Nonmajor Funds:		
Child Development Fund	47,167	
Deferred Maintenance Fund	1,145,000	
Capital Facilities Fund		1,900,000
Totals	$ 3,092,167	$ 3,092,167

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the fiscal year ended June 30, 2008, is shown below.

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 1,711,019	$ -	$ -	$ 1,711,019
Construction in progress	31,134,209	7,792,313	25,463,643	13,462,879
Total capital assets, not being depreciated	32,845,228	7,792,313	25,463,643	15,173,898
Capital assets being depreciated:				
Buildings and improvements	129,152,867	25,463,643		154,616,510
Equipment	7,016,555	136,868		7,153,423
Total capital assets being depreciated	136,169,422	25,600,511		161,769,933
Less accumulated depreciation for:				
Buildings and improvements	55,145,617	3,794,203		58,939,820
Equipment	5,599,518	329,712		5,929,230
Total accumulated depreciation	60,745,135	4,123,915		64,869,050
Total capital assets being depreciated, net	75,424,287	21,476,596		96,900,883
Governmental activities, capital assets, net	$108,269,515	$29,268,909	$ 25,463,643	$ 112,074,781

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Business-type Activities				
Capital assets being depreciated:				
Buildings and improvements	$ 80,000	$ -	$ -	$ 80,000
Total capital assets being depreciated	80,000			80,000
Less accumulated depreciation for:				
Buildings and improvements	3,750	1,500		5,250
Total accumulated depreciation	3,750	1,500		5,250
Total capital assets being depreciated, net	76,250	(1,500)		74,750
Business-type activities, capital assets, net	$ 76,250	$ (1,500)	$ -	$ 74,750

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION (Continued)

Depreciation expense was charged as follows:

Governmental Activities:	
Unallocated	$ 4,123,915
Total depreciation expense	$ 4,123,915
Business-type Activities:	
Preschool	$ 1,500
Total depreciation expense	$ 1,500

NOTE 7 – BONDED DEBT

The outstanding general obligation bonded debt of the Torrance Unified School District at June 30, 2008, is:

Date Of Issue	Maturity Date	Amount of Original Issue	Outstanding July 1, 2007	Issued Current Fiscal Year	Redeemed Current Fiscal Year	Outstanding June 30, 2008
2000	2011	$ 30,000,000	$ 17,480,000	$ -	$ 2,845,000	$ 14,635,000
2002	2015	12,499,152	12,324,152		75,000	12,249,152
		$ 42,499,152	$ 29,804,152	$ -	$ 2,920,000	$ 26,884,152

The annual requirements to amortize general obligation bonds payable outstanding as of June 30, 2008, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	$ 3,230,000	$ 706,300	$ 3,936,300
2010	3,575,000	540,088	4,115,088
2011	3,975,000	368,338	4,343,338
2012	4,355,000	1,268,880	5,623,880
2013	2,598,202	1,125,899	3,724,101
2014-2016	9,150,950	6,819,050	15,970,000
	$ 26,884,152	$ 10,828,554	$ 37,712,706

NOTE 8 - CAPITAL LEASES PAYABLE

The District is leasing equipment under agreements, which provides for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Fiscal Year Ending June 30,	Lease Payments
2009	$ 61,164
2010	61,164
2011	61,164
2012	56,283
	239,775
Less amount representing interest	(23,135)
Present value of net minimum lease payments	$ 216,640

NOTE 9 – LOAN PAYABLE

Energy Commission Loan

In June 2002, the District received a $471,000 loan from the State of California Energy Commission to improve facilities. Interest rate on the loan is 3% and the District is to make semi-annual payments of $24,233 beginning December 22, 2002. Balance of the loan at June 30, 2008, is $223,471. Future loan payments are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2009	$ 42,074	$ 6,392	$ 48,466
2010	43,346	5,120	48,466
2011	44,655	3,811	48,466
2012	46,000	2,466	48,466
2013	47,396	1,070	48,466
Totals	$ 223,471	$ 18,859	$ 242,330

California Department of Education Loan

The District entered into a loan agreement with California Department of Education in an amount of $70,253. The purpose of the loan is to improve a child care facility for the child development program. The loan is payable over ten installment payments with zero percent interest. As of June 30, 2008, the loan balance was $56,203.

Fiscal Year Ended June 30	Principal
2009	$ 7,025
2010	7,025
2011	7,025
2012	7,025
2013	7,025
2014-2016	21,078
Totals	$ 56,203

NOTE 10 – SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN (SERP)

The District approved the implementation of a Supplemental Employee Retirement Plan (SERP). The SERP will generate a fiscal savings based on the salary differential of the retiring employee and a new hire. A total of 137 retirees took advantage of the *SERP program. For fiscal year ended June 30, 2008, SERP payments were made of $945,871 and a total of $5,779,331 will be* required to be funded over the next five fiscal years. This amount has been reflected as part of the District's long-term debt obligations.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The District's health care plan (Plan) is a single-employer defined benefit healthcare plan. The District provides post employment health care benefits to all employees who retire from the District that meet the specific criteria for the various plans. Currently the District has 7 different retirement plans, however, only 2 plans allow new retirees to participate. Descriptions of the plans are as follows:

1. Certificated 1977 – 1987; Minimum of 10 years of service with TUSD, must be age 55 or older up to age 61. The District will provide the retiree an annual contribution of the same annual amount given to active certificated bargaining members, towards the cost of their medical and dental premiums for the lifetime of the retiree. The 2007/2008 annual contributions are $5,200, and has 128 retirees enrolled in this plan.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Plan Description (Continued)

2. Certificated 1986 – 1987; Minimum of 15 years of service with TUSD, must be age 55 or older up to age 59. The District will provide the retiree an annual contribution of the lowest cost of a dental and medical plan for the lifetime of the retiree. The 2007/2008 annual contributions are $5,200, and has 25 retirees enrolled in this plan.

3. Certificated/Classified 1998 – 1999; Minimum of 10 years of service with TUSD, and must be age 55 or older. The District will provide the retiree an annual contribution of $3,000 towards the cost of their medical premium up to age 65. The District has 2 retirees enrolled in this plan.

4. Group 5 – Certificated 1990 – 1993: Minimum of 10 years of service with TUSD, and must be age 55 or older. The District will provide the retiree an annual contribution of $3,000 towards the cost of their medical premium for the lifetime of the retiree. The District has 107 retirees enrolled in this plan.

5. Group 5 – Certificated 1996 – 1997: Minimum of 10 years of service with TUSD, and must be age 55 or older. The District will provide the retiree an annual contribution of $3,000 towards the cost of their medical premium up to age 75. The District has 22 retirees enrolled in this plan.

6. Certificated/Classified Medical Retirement Plan October 2000: Minimum of 10 years of service with TUSD, and must be age 55 or older. The District will provide the retiree an annual contribution of $3,000 (increases 2% each year from 2000) towards the cost of their medical premium up to a maximum of 5 years, or age 65, whichever comes first, but no less than 2 years. The 2007/2008 annual contribution is $3,380. The District has 119 retirees enrolled in this plan.

7. Certificated/Classified Regular Retiree – Any benefit eligible employee who is eligible for retirement under CalPERS or CalSTRS, and has 5 years of service with the District may continue their health insurance through the District providing the retiree pays the full cost of the medical premiums. The District has 477 retirees enrolled in this plan.

Also, the District does not contribute towards the cost of dental and vision benefits for retirees. The ability to obtain coverage at an active employee rate constitutes a significant economic benefit to the retirees, called an "implicit subsidy" under Governmental Accounting Standards Board Statement No. 45 (GASB 45). The inclusion of the retirees increase the District's overall health insurance rates; it is, in part, the purpose of this valuation to determine the amount of the subsidy.

The Plan does not issue a separate financial report.

Funding Policy

The contribution requirement of plan members and the District are established under a funding policy approved by the District's Board, and may be amended by the District from time to time. The District's funding policy is to contribute an amount sufficient to pay the current year's retiree claim costs and plan expenses. For fiscal year 2008, the District contributed $1,885,111 to the plan, including current claim costs and plan expenses, and no prefund benefits had been made.

Annual OPEB and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial 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	$ 2,086,252
Annual OPEB cost (expense)	2,086,252
Contributions made	(1,885,111)
Decrease in net OPEB obligation	201,141
Net OPEB obligation - beginning of fiscal year	
Net OPEB obligation (assets) - end of fiscal year	$ 201,141

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost *Contribution*	OPEB *Obligation*
6/30/2008	$ 2,086,252	90.36%	$ 201,141

Funded Status and Funding Progress.

As of July 1, 2007, the most recent actuarial valuation date, *the plan was zero percent funded. The actuarial accrued liability for* benefits was $18,566,089, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $18,566,089.

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.

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, 2007, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return, which is the expected long-term investment returns on plan assets expected to be held by the plan, an inflation rate of 3% per year, payroll increase 3% per year, and an annual healthcare cost trend rate of 4%. The actuarial value of assets is not applicable (no assets as of the initial valuation date). The UAAL is being amortized as a level dollar amount over 30 years. The remaining amortization period at July 1, 2007 was thirty years.

NOTE 12 – CLAIMS PAYABLE

Third party administration provides data on estimated claim liabilities (paid and reserves). As of June 30, 2008, the estimated outstanding liability was $6,505,000 for workers' compensation. Such amounts were calculated based upon an outside actuarial valuation as of June, 2005 and have been accrued in the accompanying government-wide financial statements. The District's liability for claims payable is based on claims reserves established by the claims administrators and actuarial studies. The claims liability includes an allowance for incurred, but not reported losses.

NOTE 13 – SOUTHERN CALIFORNA *REGIONAL OCCUPATIONAL CENTER (SCROC) SETTLEMENT PAYABLE*

During fiscal year 2007, the District had entered into a settlement agreement with SCROC to repay special education funds which the District owed since fiscal year 2003. The settlement agreement will be paid over four years with an annual payment of $59,437. As of June 30, 2008, the balance was $118,876.

NOTE 14 – QUALIFIED ZONE ACADEMY BONDS (QZAB)

The District obtained an interest free Qualified Zone Academy Bond (QZAB) in September, 2005 in the amount of $2,320,000 for the purpose of acquiring equipment and making improvements to various school sites. The QZAB will mature in September, 2021. The terms of the agreement are such that the District deposits $124,372 annually into a sinking fund held with U.S. Bank, (the Custodian), commencing September, 2006. The deposit and interest earned will be held by the Custodian as collateral until the payment of the debt on the maturity date. The funds on deposit with the Custodian will be invested such that *the original deposit* and interest earned is projected to be sufficient to repay the debt in full upon maturity. The amount on deposit in the sinking fund is reported as a restricted investment on the government-wide statement of net assets. During the fiscal year, $120,051 was deposited into a sinking fund and the balance as of June 30, 2008 was $247,305.

NOTE 14 – QUALIFIED ZONE ACADEMY BONDS (QZAB) (Continued)

Future payment is as follow:

Fiscal Year Ended June 30	Principal
2009	$ -
2010	
2011	
2012	
2013	
2014-2018	
2019-2022	2,320,000
Totals	$ 2,320,000

NOTE 15 – TAX AND REVENUE ANTICIPATION NOTES

The District issued $5,000,000 of Tax and Revenue Anticipation Notes on July 6, 2007, at a premium of $24,950. The notes will *mature on July 1, 2008, and yield* 5.3940 percent interest. The notes were sold by the District to supplement its cash flows.

As the notes were still outstanding at June 30, 2008, they have been shown as a liability on the balance sheet.

NOTE 16 – LONG-TERM DEBT – SCHEDULE OF CHANGES

	Balance July 1, 2007	Additions	Deletions	Prior Period Adjustment	Balance July 1, 2008	Due within One Year
Compensated absences	$ 2,239,669	$ 15,482	$ -	$ -	$ 2,255,151	$ 60,000
Bonds payable	29,804,152		2,920,000		26,884,152	3,230,000
Unmatured interest payable						
Capital appreciation bonds	3,468,556	700,531			4,169,087	
Capital leases	265,856		49,216		216,640	51,595
Loans payable	327,519		47,845		279,674	49,099
Supplemental employee retirement plan (SERP)	1,757,512	4,967,690	945,871		5,779,331	
Other postemployment benefits (OPEB)	10,237,496	2,086,252	1,885,111	(10,237,496)	201,141	1,805,180
Claims payable	6,505,000				6,505,000	
SCROC settlement payable	178,313		59,437		118,876	59,437
QZAB	2,320,000				2,320,000	
Totals	$ 57,104,073	$ 7,769,955	$ 5,907,480	$ (10,237,496)	$ 48,729,052	$ 5,255,311

NOTE 17 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

Litigation

According to the District's staff and attorney, no contingent liabilities are outstanding, and no lawsuits are pending of any real financial consequence.

NOTE 18 - SUBSEQUENT EVENTS

The District retired $5,000,000 of Tax and Revenue Anticipation Notes on July 1, 2008. These notes were issued on July 6, 2007. The District issued $4,805,000 of Tax and Revenue Anticipation Notes on July 1, 2008, at an interest rate of 3.00 percent.

On November 4, 2008, the citizens elected to approve the issuance of $265 million Measure Y and $95 million Measure Z general obligation bonds to renovate the school facilities.

NOTE 19 - EMPLOYEE RETIREMENT SYSTEMS

State Teachers' Retirement System (STRS)

Plan Description

The Torrance Unified School 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, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the Torrance Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The Torrance Unified School District's contributions to STRS for the fiscal years ended June 30, 2008, 2007, and 2006, were $7,857,198, $7,562,161, and $7,250,569, respectively, and equal 100% of the required contributions for each fiscal year.

California Public Employees' Retirement System (CalPERS)

Plan Description

The Torrance Unified School 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 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the Torrance Unified School 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 the fiscal year 2007-2008, was 9.306% of annual payroll. The contribution requirements of the plan members are established by State statute. The Torrance Unified School District's contributions to CalPERS for the fiscal years ended June 30, 2008, 2007, and 2006, were $2,785,309 $2,577,065, and $2,294,270, and equal 100% of the required contributions for each fiscal year.

NOTE 20 – NET ASSETS

The government-wide, proprietary funds, and fiduciary funds financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted, and unrestricted.

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents net assets of the District, not restricted for any project or other purpose.

NOTE 21 – PRIOR PERIOD ADJUSTMENT

Prior period adjustments in the amount of $10,306,593 were recorded in the government-wide financial statements were as follows:

Understatement of cash in county treasury in the amounts of $68,984 and accounts receivable in the amount of $113 were due to District record these assets as a retiree benefit fund (fiduciary fund) in the past and should be recorded as self-insurance fund (internal service fund).

Overstatement of other postemployment benefit (OPEB) cost in the amount of $10,237,496 was due to implementation of GASB Statement No. 45 in the current fiscal year. The District is required to report the annual required contribution as a liability instead of the unfunded actuarial liability.

Prior period adjustments in the amount of $69,097 were recorded in the fiduciary fund statements were as follows:

Overstatement of cash in county treasury in the amounts of $68,984 and accounts receivable in the amount of $113 were due to District record these assets as a retiree benefit fund (fiduciary fund) in the past and should be recorded as self-insurance fund (internal service fund).

REQUIRED SUPPLEMENTARY INFORMATION

TORRANCE UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Revenue Limit Sources:				
State apportionments	$ 103,617,098	$ 103,748,202	$ 101,583,766	$ (2,164,436)
Local sources	39,766,670	39,794,670	41,987,099	2,192,429
Federal	7,825,000	7,846,000	8,465,227	619,227
Other state	43,460,000	44,504,000	45,493,037	989,037
Other local	3,876,000	5,372,324	5,679,260	306,936
Total revenues	198,544,768	201,265,196	203,208,389	1,943,193
Expenditures:				
Certificated salaries	92,189,000	93,109,511	93,109,511	
Classified salaries	30,010,000	31,166,643	31,166,642	1
Employee benefits	35,299,000	35,710,664	35,710,663	1
Books and supplies	5,581,000	9,062,948	9,062,947	1
Contracted services and other operating expenses	18,398,000	20,250,858	20,250,857	1
Capital outlay	4,448,000	6,246,281	6,246,281	
Other outgo	8,890,000	8,851,287	9,095,217	(243,930)
Debt service:				
Principal	41,000	41,000	103,390	(62,390)
Interest and fiscal charges	8,000	8,000	9,394	(1,394)
Total expenditures	194,864,000	204,447,192	204,754,902	(307,710)
Excess of revenues over (under) expenditures	3,680,768	(3,181,996)	(1,546,513)	1,635,483
Other Financing Sources (Uses):				
Transfers in	1,900,000	1,900,000	1,900,000	
Transfers out	(1,550,000)	(1,495,000)	(1,192,167)	302,833
Total other financing sources (uses)	350,000	405,000	707,833	302,833
Net change in fund balance	4,030,768	(2,776,996)	(838,680)	1,938,316
Fund balance, July 1, 2007	17,976,979	17,976,979	17,976,979	
Fund balance, June 30, 2008	$ 22,007,747	$ 15,199,983	$ 17,138,299	$ 1,938,316

SUPPLEMENTARY INFORMATION SECTION

TORRANCE UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2008

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
Assets				
Cash in county treasury	$ 749,918	$ 123,969	$ -	$ 4,454,022
Cash on hand and in banks			1,018,236	
Cash in revolving fund	10,000			
Cash with fiscal agent			9,591	
Accounts receivable	1,238,214	1,442,805	354,819	42,989
Due from other funds			376,866	
Inventory, at cost			67,175	
Total assets	$ 1,998,132	$ 1,566,774	$ 1,826,687	$ 4,497,011
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 427,872	$ 237,526	$ 1,312,368	$ 13,852
Due to other funds		1,200,000		
Deferred revenue		114,492		
Total liabilities	427,872	1,552,018	1,312,368	13,852
Fund balances:				
Reserved fund balances:				
Reserved for revolving fund	10,000			
Reserved for inventory			67,175	
Designated fund balances:				
Designated for economic uncertainties	1,560,260	14,756	447,144	
Other designations				4,483,159
Total fund balances	1,570,260	14,756	514,319	4,483,159
Total liabilities and fund balances	$ 1,998,132	$ 1,566,774	$ 1,826,687	$ 4,497,011

Totals
$ 5,327,909
1,018,236
10,000
9,591
3,078,827
376,866
67,175
$ 9,888,604
$ 1,991,618
1,200,000
114,492
3,306,110
10,000
67,175
2,022,160
4,483,159
6,582,494
$ 9,888,604

TORRANCE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2008

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
Revenues:				
Federal	$ 482,925	$ 5,586	$ 1,586,690	$ -
Other state	7,076,123	2,184,791	126,535	1,064,880
Other local	676,795	62,453	4,710,953	144,075
Total revenues	8,235,843	2,252,830	6,424,178	1,208,955
Expenditures:				
Certificated salaries	3,122,771	560,428		
Classified salaries	1,425,182	922,875	2,158,564	
Employee benefits	1,233,486	530,172	746,040	
Books and supplies	263,676	83,243	2,728,707	2,914
Contracted services and other operating expenses	1,279,217	34,586	296,667	126,381
Capital outlay	119,869	27,368	140,879	362,868
Other outgo	313,154	158,236	275,151	
Debt service:				
Principal		7,025	46,083	
Interest			10,200	
Total expenditures	7,757,355	2,323,933	6,402,291	492,163
Excess of revenues over (under) *expenditures*	478,488	(71,103)	21,887	716,792
Other Financing Sources (Uses):				
Transfers in		47,167		1,145,000
Total other financing sources (uses)		47,167		1,145,000
Net change in fund balances	478,488	(23,936)	21,887	1,861,792
Fund balances, July 1, 2007	1,091,772	38,692	492,432	2,621,367
Fund balances, June 30, 2008	$ 1,570,260	$ 14,756	$ 514,319	$ 4,483,159

Totals
$ 2,075,201
10,452,329
5,594,276
18,121,806
3,683,199
4,506,621
2,509,698
3,078,540
1,736,851
650,984
746,541
53,108
10,200
16,975,742
1,146,064
1,192,167
1,192,167
2,338,231
4,244,263
$ 6,582,494

TORRANCE UNIFIED SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Adult Education Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal	$ 474,000	$ 482,925	$ 8,925
Other state	6,805,000	7,076,123	271,123
Other local	834,000	676,795	(157,205)
Total revenues	8,113,000	8,235,843	122,843
Expenditures:			
Certificated salaries	3,305,000	3,122,771	182,229
Classified salaries	1,517,000	1,425,182	91,818
Employee benefits	1,294,000	1,233,486	60,514
Books and supplies	283,000	263,676	19,324
Contracted services and other operating expenses	1,279,217	1,279,217	
Capital outlay	256,783	119,869	136,914
Other outgo	333,000	313,154	19,846
Debt service:			
Principal			
Interest			
Total expenditures	8,268,000	7,757,355	510,645
Excess of revenues over (under) expenditures	(155,000)	478,488	633,488
Other Financing Sources (Uses):			
Transfers in			
Total other financing sources (uses)			
Net change in fund balances	(155,000)	478,488	633,488
Fund balances, July 1, 2007	1,091,772	1,091,772	
Fund balances, June 30, 2008	$ 936,772	$ 1,570,260	$ 633,488

Child Development Fund			Cafeteria Fund		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
$ -	$ 5,586	$ 5,586	$ 1,554,207	$ 1,586,690	$ 32,483
2,185,000	2,184,791	(209)	101,600	126,535	24,935
	62,453	62,453	4,870,208	4,710,953	(159,255)
2,185,000	2,252,830	67,830	6,526,015	6,424,178	(101,837)
583,000	560,428	22,572			
1,040,000	922,875	117,125	2,199,827	2,158,564	41,263
530,172	530,172		654,000	746,040	(92,040)
137,847	83,243	54,604	3,236,103	2,728,707	507,396
41,612	34,586	7,026	103,000	296,667	(193,667)
27,369	27,368	1	66,000	140,879	(74,879)
175,000	158,236	16,764	342,000	275,151	66,849
	7,025	(7,025)		46,083	(46,083)
				10,200	(10,200)
2,535,000	2,323,933	211,067	6,600,930	6,402,291	198,639
(350,000)	(71,103)	278,897	(74,915)	21,887	96,802
350,000	47,167	(302,833)			
350,000	47,167	(302,833)			
	(23,936)	(23,936)	(74,915)	21,887	96,802
38,692	38,692		492,432	492,432	
$ 38,692	$ 14,756	$ (23,936)	$ 417,517	$ 514,319	$ 96,802

(Continued)

TORRANCE UNIFIED SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2008

	Deferred Maintenance Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal	$ -	$ -	$ -
Other state	1,065,000	1,064,880	(120)
Other local	190,000	144,075	(45,925)
Total revenues	1,255,000	1,208,955	(46,045)
Expenditures:			
Certificated salaries			
Classified salaries			
Employee benefits			
Books and supplies	2,914	2,914	
Contracted services and other operating expenses	126,381	126,381	
Capital outlay	370,705	362,868	7,837
Other outgo			
Debt service:			
Principal			
Interest			
Total expenditures	500,000	492,163	7,837
Excess of revenues over (under) expenditures	755,000	716,792	(38,208)
Other Financing Sources (Uses):			
Transfers in	1,145,000	1,145,000	
Total other financing sources (uses)	1,145,000	1,145,000	
Net change in fund balances	1,900,000	1,861,792	(38,208)
Fund balances, July 1, 2007	2,621,367	2,621,367	
Fund balances, June 30, 2008	$ 4,521,367	$ 4,483,159	$ (38,208)

Totals		
Final Budget	Actual	Variance Positive (Negative)
$ 2,028,207	$ 2,075,201	$ 46,994
10,156,600	10,452,329	295,729
5,894,208	5,594,276	(299,932)
18,079,015	18,121,806	42,791
3,888,000	3,683,199	204,801
4,756,827	4,506,621	250,206
2,478,172	2,509,698	(31,526)
3,659,864	3,078,540	581,324
1,550,210	1,738,851	(188,641)
720,857	650,984	69,873
850,000	746,541	103,459
	53,108	(53,108)
	10,200	(10,200)
17,903,930	16,975,742	928,188
175,085	1,146,064	970,979
1,495,000	1,192,167	(302,833)
1,495,000	1,192,167	(302,833)
1,670,085	2,338,231	668,146
4,244,263	4,244,263	
$ 5,914,348	$ 6,582,494	$ 668,146

TORRANCE UNIFIED SCHOOL DISTRICT
BALANCE SHEET
NONMAJOR DEBT SERVICE FUND
June 30, 2008

	Bond Interest and Redemption Fund
Assets	
Cash in county treasury	$ 3,894,537
Total assets	$ 3,894,537
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	$ -
Total liabilities	
Fund balance:	
Undesignated	3,894,537
Total fund balance	3,894,537
Total liabilities and fund balance	$ 3,894,537

TORRANCE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2008

	Bond *Interest and* Redemption Fund
Revenues:	
Other state	$ 31,180
Other local	3,999,655
Total revenues	4,030,835
Expenditures:	
Debt service:	
Principal	2,920,000
Interest and fiscal charges	841,388
Total expenditures	3,761,388
Net change in fund balance	269,447
Fund balance, July 1, 2007	3,625,090
Fund balance, June 30, 2008	$ 3,894,537

TORRANCE UNIFIED SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2008

	Bond Interest and Redemption Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other state	$ -	$ 31,180	$ 31,180
Other local	3,757,867	3,999,655	241,788
Total revenues	3,757,867	4,030,835	272,968
Expenditures:			
Debt service:			
Principal	2,920,000	2,920,000	
Interest and fiscal charges	841,388	841,388	
Total expenditures	3,761,388	3,761,388	
Net change in fund balance	(3,521)	269,447	272,968
Fund balance, July 1, 2007	3,625,090	3,625,090	
Fund balance, June 30, 2008	$ 3,621,569	$ 3,894,537	$ 272,968

TORRANCE UNIFIED SCHOOL DISTRICT
BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2008

	Building Fund	Capital Facilities Fund	Totals
Assets			
Cash in county treasury	$ 3,588,098	$ 102,265	$ 3,690,363
Accounts receivable	37,970	122,987	160,957
Total assets	$ 3,626,068	$ 225,252	$ 3,851,320
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 224,499	$ 43,183	$ 267,682
Total liabilities	224,499	43,183	267,682
Fund balances:			
Designated fund balances:			
Other designations	3,401,569	182,069	3,583,638
Total fund balances	3,401,569	182,069	3,583,638
Total liabilities and fund balances	$ 3,626,068	$ 225,252	$ 3,851,320

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TORRANCE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2008

	Building Fund	Capital Facilities Fund	Totals
Revenues:			
Other local	$ 209,030	$ 853,195	$ 1,062,225
Total revenues	209,030	853,195	1,062,225
Expenditures:			
Classified salaries		226,162	226,162
Employee benefits		74,471	74,471
Books and supplies	1,595	11,393	12,988
Contracted services and other operating expenses	404,543	138,347	542,890
Capital outlay	325,452	19,850	345,302
Total expenditures	731,590	470,223	1,201,813
Excess of revenues over (under) expenditures	*(522,560)*	*382,972*	*(139,588)*
Other Financing Sources (Uses):			
Transfers out		(1,900,000)	(1,900,000)
Total other financing sources (uses)		(1,900,000)	(1,900,000)
Net change in fund balances	(522,560)	(1,517,028)	(2,039,588)
Fund balances, July 1, 2007	3,924,129	1,699,097	5,623,226
Fund balances, June 30, 2008	$ 3,401,569	$ 182,069	$ 3,583,638

TORRANCE UNIFIED SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2008

	Building Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other local	$ 210,000	$ 209,030	$ (970)
Total revenues	210,000	209,030	(970)
Expenditures:			
Classified salaries			
Employee benefits			
Books and supplies	1,595	1,595	
Contracted services and other operating expenses	429,405	404,543	24,862
Capital outlay	832,128	325,452	506,676
Total expenditures	1,263,128	731,590	531,538
Excess of revenues over (under) expenditures	(1,053,128)	(522,560)	530,568
Other Financing Sources (Uses):			
Transfers out			
Total other financing sources (uses)			
Net change in fund balances	(1,053,128)	(522,560)	530,568
Fund balances, July 1, 2007	3,924,129	3,924,129	
Fund balances, June 30, 2008	$ 2,871,001	$ 3,401,569	$ 530,568

Capital Facilities Fund			Totals		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
$ 790,000	$ 853,195	$ 63,195	$ 1,000,000	$ 1,062,225	$ 62,225
790,000	853,195	63,195	1,000,000	1,062,225	62,225
226,162	226,162		226,162	226,162	
74,471	74,471		74,471	74,471	
11,394	11,393	1	12,989	12,988	1
138,348	138,347	1	567,753	542,890	24,863
62,625	19,850	42,775	894,753	345,302	549,451
513,000	470,223	42,777	1,776,128	1,201,813	574,315
277,000	382,972	105,972	(776,128)	(139,588)	636,540
(1,900,000)	(1,900,000)		(1,900,000)	(1,900,000)	
(1,900,000)	(1,900,000)		(1,900,000)	(1,900,000)	
(1,623,000)	(1,517,028)	105,972	(2,676,128)	(2,039,588)	636,540
1,699,097	1,699,097		5,623,226	5,623,226	
$ 76,097	$ 182,069	$ 105,972	$ 2,947,098	$ 3,583,638	$ 636,540

SUPPLEMENTARY INFORMATION SECTION

TORRANCE UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2008

The Torrance Unified School District ("the District") was established in 1947. The District is currently operating 17 elementary schools, 8 middle schools, and 5 high schools, 1 of which is a continuation school, 1 children's center, and 4 adult education schools, over an area of approximately 20 square miles within the City of Torrance.

ADMINISTRATION

Dr. George Mannon
Superintendent

Dr. Laurie Love
Chief Academic Officer

Dr. Tim Stowe
Senior Director- Secondary Schools

Dr. E Don Kim
Senior Director- Elementary Schools

Dr. Mario Liberati
Senior Director – Human Resources

Dr. Donald Stabler
Deputy Superintendent – Administrative Services

Ms. Judy Chai
Fiscal Services Officer

TORRANCE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For Fiscal Year Ended June 30, 2009

	Amended Second Period Report	Amended Annual Report
Elementary:		
Kindergarten	1,540.26	1,543.08
Grades one through three	4,678.72	4,681.85
Grades four through six	5,122.34	5,121.71
Grades seven and eight	3,733.08	3,732.99
Special education	224.94	227.71
Home and hospital	7.10	9.02
Community day school	14.13	16.06
Extended year	18.63	18.63
Elementary totals	15,339.20	15,351.05
Secondary:		
Regular class	8,143.45	8,107.38
Continuation education	154.86	148.79
Special education	327.04	332.62
Home and hospital	49.76	57.32
Community day school	22.15	23.36
Extended year	46.91	47.20
Regional occupation centers	1,726.75	1,723.43
Classes for adults	2,199.41	2,629.22
Secondary totals	12,670.33	13,069.32
ADA totals	28,009.53	28,420.37

Supplemental Instructional Hours	Hours of Attendance
Elementary	176.567
Secondary	196.754

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

TORRANCE UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2008

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2007-08 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	31,500	36,000	40,500	180	In compliance
Grade 1	41,790	50,400	52,902	180	In compliance
Grade 2	41,790	50,400	52,902	180	In compliance
Grade 3	41,790	50,400	52,902	180	In compliance
Grade 4	51,480	54,000	54,513	180	In compliance
Grade 5	51,480	54,000	54,513	180	In compliance
Grade 6	51,480	54,000	59,375	180	In compliance
Grade 7	51,480	54,000	59,375	180	In compliance
Grade 8	51,480	54,000	59,375	180	In compliance
Grade 9	54,960	64,800	66,095	180	In compliance
Grade 10	54,960	64,800	66,095	180	In compliance
Grade 11	54,960	64,800	66,095	180	In compliance
Grade 12	54,960	64,800	66,095	180	In compliance

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

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

TORRANCE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXCESS SICK LEAVE
For the Fiscal Year Ended June 30, 2008

Torrance Unified School District does not provide more than 12 sick leave days in a school year to any (superintendent, other high level administrator, teacher) CalSTRS member.

TORRANCE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For Fiscal Year Ended June 30, 2008

General Fund	(Budget) 2009	2008	2007	2006
Revenues and other financial sources	$ 193,923,564	$205,108,389	$202,242,710	$182,390,805
Expenditures	193,982,395	204,754,902	194,036,465	172,533,329
Other uses and transfers out	1,100,000	1,192,167	1,151,614	1,114,497
Total outgo	195,082,395	205,947,069	195,188,079	173,647,826
Change in fund balance	(1,158,831)	(838,680)	7,054,631	8,742,979
Ending fund balance	$ 15,979,468	$ 17,138,299	$ 17,976,979	$ 10,922,348
Available reserves	$ 8,109,080	$ 8,508,003	$ 5,862,592	$ 5,376,925
Designated for economic uncertainties	$ 8,109,080	$ 8,508,003	$ 5,862,592	$ 5,376,925
Undesignated fund balance	$ -	$ -	$ -	$ -
Available reserves as a percentage of total outgo	4.2%	4.0%	3.0%	3.1%
Total long-term debt	$ 53,569,397	$ 48,729,052	$ 57,104,073	$ 60,688,581
Average daily attendance at P-2	23,860	24,083	24,674	24,654

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

The General Fund fund balance has increased by $6,215,951 over the past two fiscal years. The fiscal year 2008-09 budget projects a decrease of $1,158,831. For a District this size, the State recommends available reserve of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in two of the past three fiscal years, and anticipates a deficit during the 2008-09 fiscal year. Total long-term debt has decreased by $11,959,529 over the past two fiscal years. The decrease in long-term debt was primarily due to implementation of *GASB Statement No. 45*. *Please refer to Note 11 and 21 for further information.*

Average daily attendance has decreased by 571 over the past two fiscal years. An decrease in 223 ADA is anticipated during the fiscal year 2008-09.

TORRANCE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Catalog (CFDA) Number	Federal Expenditures
Federal Programs:		
U.S. Department of Education		
Passed through the California Department of Education (CDE):		
NCLB Title I, Part A - Basic Grants Low Income and Neglected	84.010	$ 1,792,803
NCLB Title I, Part G, Advanced Placement (AP) Test Fee Reimbursement Program	84.330	13,019
NCLB - Title II, Part A Teacher Quality	84.367	483,468
NCLB - Title II, Part D, Enhancing Education Through Technology	84.318X	15,809
NCLB - Title III Immigrant Education Program	84.365	5,974
NCLB - Title III Limited English Proficiency (LEP) Student Program	84.365	277,251
NCLB - Title IV Part A: Safe & Drug Free Schools	84.186	100,006
NCLB - Title V Part A: Innovative Education Strategies	84.298A	13,063
Special Ed: IDEA - Basic Local Assistance Entitlement, Part B	84.027	3,557,941
Special Ed: IDEA - Preschool Local Entitlement, Part B	84.027	430,135
Special Ed. IDEA - Preschool Grant, Part B	84.173	228,599
Special Ed. IDEA - Preschool Staff Development Grants *Part B*	84.173	1,533
Vocational & Applied Technology Secondary II C	84.048	106,000
Adult Basic Education & ESL	84.002A	271,132
Adult Education: Family Literacy	84.002A	17,775
Adult Education: Adult Secondary Education	84.002A	21,934
Adult Education: English Literacy & Civics Education	84.002A	172,084
ROTC Reimbursement	84.000	118,625
Carol White Program (Direct Program)	84.215F	330,326
Workability II, Transition Partnership	84.158	278,352
Total U.S. Department of Education		8,235,827
U.S. Department of Health and Human Services:		
Passed through Los Angeles County Office of Education (LACOE):		
Medi-Cal Administrative Activities	93.000	425,632
Medi-Cal Billing Option	93.778	286,693
Child Development: Quality Improvement	93.575	3,464
Child Development: Infant/Toddler	93.575	2,122
Total U.S. Department of Health and Human Services		717,911
U.S. Department of Agriculture California Department.		
Passed through of Education (CDE):		
National School Lunch	10.555	1,279,787
Basic School Breakfast Program	10.553	53,969
Especially Need School Breakfast	10.553	252,934
Total U.S. Department of Agriculture		1,586,690
Total Expenditures of Federal Awards		$ 10,540,428

The accompanying notes are an integral part of this schedule.

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TORRANCE UNIFIED SCHOOL DISTRICT
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008

NOTE 1 – BASIS OF PRESENTATION

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

TORRANCE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
June 30, 2008

	General Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund
June 30, 2008 Unaudited Actual Report Fund Balances	$ 17,138,299	$ 1,570,260	$ 14,756	$ 514,319	$ 4,483,159	$ 3,401,569	$ 182,069	$ 3,894,537
June 30, 2008 Audited Financial Statements Fund Balances	$ 17,138,299	$ 1,570,260	$ 14,756	$ 514,319	$ 4,483,159	$ 3,401,569	$ 182,069	$ 3,894,537

	Torrance Community Preschool Fund	Self-Insurance Fund	Retiree Benefits Fund
June 30, 2008 Unaudited Actual Report Fund Balances	$ 1,715	$ 6,296,313	231,214
(Overstatement) Understatement of cash in county treasury		230,523	(230,523)
(Overstatement) Understatement of accounts receivable		691	(691)
Understatement of accumulated depreciation	(1,500)		
June 30, 2008 Audited Financial Statements Fund Balances	$ 215	$ 6,527,527	$ -

	Long-Term Debt
June 30, 2008 Unaudited Actual Report Total Liabilities	$ 58,765,407
Overstatement of other postemployement benefit	(10,036,355)
June 30, 2008 Audited Financial Statements Long-Term Debt Total Liabilities	$ 48,729,052

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities of the long-term liabilities as reported on the unaudited actual to the audited financial statements.

MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS
RONALD A. LEVY, C.P.A.
CRAIG A. HARTZHEIM, C.P.A.
HADLEY Y. HUI, C.P.A.
CONSULTANT:
ROBERT M. MOSS (Retired C.P.A.)

9107 WILSHIRE BLVD., STE 400
BEVERLY HILLS, CA 90210
PHONE: (310) 273-2745
FAX: (310) 273-1689
EMAIL: [illegible]

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 Education
Torrance Unified School District
Torrance, California

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Torrance Unified School District (the District) as of and for the fiscal year ended June 30, 2008, which collectively comprise the Torrance Unified School District's basic financial statements and have issued our report thereon dated January 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of District's financial statements that is more than inconsequential will not be prevented or detected by District's internal control. We consider the deficiency described in the accompanying schedule findings and questioned costs as 2008-1 to 2008-5 be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying finding and questioned costs as items 2008-6 and 2008-7.

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

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

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Beverly Hills, California
January 5, 2009

MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:
RONALD A. LEVY, C.P.A.
CRAIG A. HARTZHEIM, C.P.A.
HADLEY Y. HUI, C.P.A.
CONSULTANT:
ROBERT M. MOSS (Retired C.P.A.)

9107 WILSHIRE BLVD., STE 400
BEVERLY HILLS, CA 90210
PHONE (310) 273-2745
FAX (310) 273-1689
EMAIL: [illegible]

AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Torrance Unified School District
Torrance, California

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Torrance Unified School District as of and for the fiscal year ended June 30, 2008, which collectively comprise the Torrance Unified School District's basic financial statements and have issued our report thereon dated January 5, 2009. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Education Audit Appeals Panel'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 the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Description	Procedures in Panel's Audit Guide	Procedures Performed
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Adult Education	9	Yes
Regional Occupational Centers and Programs	6	*Not applicable*
Instructional Time:		
School districts	4	Yes
County offices of education	3	Not applicable
Community Day Schools	9	No (See Next Page)
Morgan-Hart Class Size Reduction Program	7	Yes
Instructional Materials:		
General requirements	12	Yes
K-8	1	Yes
9-12	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable

Description	Procedures in Panel's Audit Guide	Procedures Performed
Gann Limit Calculation	1	Yes
School Construction Funds:		
School District Bonds	3	Yes
State Facilities Funds	1	Yes
Excess Sick Leave	2 or 3	Yes
Notice of Right To Elect California State Teachers Retirement System (CalSTRS) Membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not applicable
Class Size Reduction (including in charter schools):		
General requirements	7	Yes
Option One	3	Yes
Option Two	4	Not applicable
Districts or charter schools with only one school serving K-3	4	Not applicable
After School Education and Safety Program:		
General requirements	4	Not applicable
After school	4	Not applicable
Before school	5	Not applicable
Contemporaneous Records of Attendance, for charter schools	1	Not applicable
Mode of Instruction, for charter schools	1	Not applicable
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	Not applicable
Annual Instructional Minutes – Classroom Based, for charter schools	3	Not applicable

We did not perform testing for community day school because the community day school ADA was under the level which requires testing.

Based on our audit, we found that, for the items tested, the Torrance Unified School District complied with the State laws and regulations referred to above except as described in the Findings and Recommendations Section of this report. Further, based on our examination, for the items not tested, nothing came to our attention to indicate that the Torrance Unified School District had not complied with the State laws and regulations.

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

This report is intended solely for the information and use of the board of education, management, State Controller's Office, administrative services department, and Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Beverly Hills, California
January 5, 2009

MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:
RONALD A. LEVY, C.P.A.
CRAIG A. HARTZHEIM, C.P.A.
HADLEY Y. HUI, C.P.A.
CONSULTANT:
ROBERT M. MOSS (Retired C.P.A.)

9107 WILSHIRE BLVD., STE 400
BEVERLY HILLS, CA 90210
PHONE: (310) 273-2745
FAX: (310) 273-1689
E-MAIL: mlhcpa@mlhcpas.com

AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Torrance Unified School District
Torrance, California

Compliance
We have audited the compliance of the Torrance Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. Torrance Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Torrance Unified School District's management. Our responsibility is to express an opinion on the Torrance Unified School District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008.

Internal Control Over Compliance
The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Beverly Hills, California
January 5, 2009

FINDINGS AND RECOMMENDATIONS SECTION

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unqualified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified not considered to be material weaknesses?	X	Yes		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 weaknesses?*		Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)		Yes	X	No

Identification of major programs

CFDA Number (s)	Name of Federal Program or Cluster
84.002A	Adult Education
84.027	Special Education
84.367	*Title II – Teacher Quality*
93.778	Medi-Cal Administrative Activities

Dollar threshold used to distinguish between Type A *and Type B programs:*	$318,213			
Auditee qualified as low-risk auditee:		Yes	X	No

State Awards

Internal control over state programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified not considered to be material weaknesses?	X	Yes		None reported
Type of auditor's report issued on compliance for state programs:	Qualified			

Section II - Financial Statement Findings

FINDING 2008-1
Human Resources System
30000

Finding:
During our payroll test, we noted that 20 out of 30 I-9 forms were either not completed or not obtained/retained.

Recommendation:
The District should implement procedures to ensure that completed I-9 forms are retained along with sufficient supporting verification documents, such as a copy of a driver's license, a social security card, and/or an un-expired employment authorization document issued by the INS, etc.

District's Response:
The District is currently working on updating the files. It is a very time consuming project that requires additional time on staff in addition to their regular work. Due to the budget cuts in staffing of 1.5 FTE in the department, this is an additional burden to complete the verifying process. Unfortunately, the I-9's that have been completed are not the ones that the auditors have reviewed. In addition, employees are slow to respond to our requests and additional time is required to monitor return of forms.

The District does have a strict policy to ensure all new hires are properly documented with a completed I-9 form. What the department is trying to do is clean up old records, which happened prior to current staff and management.

Finding 2008-2
Cafeteria Fund
30000

Finding:
During our review of the cafeteria account's bank reconciliations, we noted that the bank reconciliations were neither signed by the preparer nor the reviewer (authorized supervisor). In addition, subsidiary ledgers were not retained and the system was not able to recreate the ledgers.

Recommendation:
We recommend that upon completion of all bank reconciliations, the preparer of the bank reconciliations should sign all bank reconciliations that he/she prepares and an authorized employee should review and approve the bank reconciliations on a timely basis. In addition, each fiscal year end, the department should print subsidiary ledgers and reconcile to the trial balance.

District's Response:
1) A procedure has been put in place to complete the bank reconciliations on a monthly basis. This will include a signature by the preparer and the reviewer. All related entries will be posted monthly.
2) Regarding Subsidiary ledgers – Accounts Payable – Food Services is converting to the new version of eoffice the first week in December. We believe this new system can recreate the AP ledger as of a specific date. If not, we will put in place a procedure to print and save the files (ledger) on a secured hard drive for future reference/use at year end.

FINDING 2008-3
Associated Student Body
30000

Finding:
During our disbursements test at North High School, we noted that the Associated Student Body (ASB) maintains an account called "Sunshine Faculty Fund" which was used to purchase such goods as food for faculty.

Recommendation:
We recommend that the School transfer the funds in the above account back to the District so that the District can administer these funds.

District's Response:
The Sunshine Faculty account donated the balance of their account to ASB and is no longer maintained by the ASB.

Section II - Financial Statement Findings (Continued)

FINDING 2008-4
Associated Student Body
30000

Finding:
During our disbursements test at North High School, we noted that the purchase orders/disbursement vouchers were not signed by the activities director/principal and a member of the student council (e.g. treasurer).

Recommendation:
We recommend that all purchase orders/disbursement vouchers be signed by both the activities director/principal and a member of the student council before the purchase of goods/services is obtained.

District's Response:
Disbursement vouchers are signed by the sponsors and are then approved and signed by the Activities Director and the Commissioner of Finance in a committee meeting. A disbursement Voucher Approval Form will be used in the future.

FINDING 2008-5
Associated Student Body
30000

Finding:
During our disbursements test at North High School, we noted that at North High School a "deposit form" is not used when money is submitted into the ASB office.

Recommendation:
We recommend that the School require all persons to submit a "deposit form" when turning in money into the ASB office.

District's Response:
The school will require the use of the deposit form when money is submitted to the ASB office.

Section III – Federal award findings and questioned costs

There were no federal award findings.

Section IV – State award findings and questioned costs

FINDING 2008-6
Attendance
10000

Finding:
During our review of internal control procedures, we noted that at Fern Elementary School, Lincoln Elementary School, Madrona Middle School, and Calle Mayor Middle School, the teachers were not recording the students' attendance on a timely basis.

Recommendation:
We recommend that District require all of its Schools to implement adequate attendance procedures so that attendance is recorded properly and timely.

Questioned Costs:
Not Applicable – This is an internal control finding

District's Response:
Procedures are in place at the above sites to timely record student attendance information. The procedures include use of daily Collection Status report and timely follow up with teachers from site administrators and/or attendance clerk. The District will continue its efforts to provide support and training to all sites regarding attendance procedures.

FINDING 2008-7
Attendance
10000

Finding:
We also noted that at Shery High School the attendance office is not properly filling out the absence slips which are the source documents needed to support the absences. Because of this, we cannot determine if the students are actually absent for an entire day or absent for one or more periods.

In addition, we noted that at Madrona Middle School and at Calle Mayor Middle School, the absence notes/re-admits stated that the respective students were absent, but because not all of the teachers marked the students as absent (attendance is taken each period), the students were claimed as being present.

In both situations, adjustments were done subsequently to our finding to correct the discrepancies.

Recommendation:
We recommend that District require all of its Schools to implement adequate attendance procedures so that attendance is recorded properly.

Questioned Costs:
Not Applicable – This is an internal control finding.

District's Response:

The above sites have worked with the district to have the issue corrected. In addition, the sites have taken steps such as staff development on appropriate attendance procedure with staff, use of phone log to record date and periods of absence, strengthening review process, and re-instructing students with the proper re-admit protocol.

Section II - Financial Statement Findings

FINDING 2007-1
Inventory
20000

Finding:
During our review of inventory, we noted that the inventory reported in the food service fund did not agree with the inventory that was stated on the inventory report. The variance between the two documents was $12,541.

Recommendation:
We recommend that the appropriate employee determine what the true ending balance of the inventory is at June 30, 2007and make the appropriate adjustments to the food service fund.

Current Status:
Implemented.

FINDING 2007-2
Human Resources System
30000

Finding:
During our payroll test, we noted that there were I-9 forms that were either not completed or not obtained/retained.

Recommendation:
The District should implement procedures to ensure that completed I-9 forms are retained along with sufficient supporting verification documents, such as a copy of a driver's license, a social security card, and/or an un-expired employment authorization document issued by the INS, etc.

Current Status:
Not Implemented – See Finding 2008-1.

FINDING 2007-3
Food Services Account
30000

Finding:
During our review of the cafeteria account's bank reconciliation, we noted that the adjusted bank statement balance did not reconcile to the adjusted ledger balance by $4,309. We also noted that the bank reconciliation was not signed by the preparer or the reviewer (authorized supervisor).

Recommendation:
We recommend that the preparer determine what makes up the variance between the bank statement and the ledger in order to determine the correct balance of the cafeteria account. Upon completion of all bank reconciliations, the preparer of the bank reconciliations should sign all bank reconciliations that he/she prepares and an authorized employee should review and approve the bank reconciliations

Current Status:
Not Implemented – See Finding 2008-2.

Section II - Financial Statement Findings (Continued)

FINDING 2007-4
Associated Student Body
30000

Finding:
During our disbursements test at West High School, we noted that the School placed a "PAID" stamp on the disbursement voucher request forms, but a "PAID" stamp was not placed on the actual invoices and receipts.

Recommendation:
We recommend that all invoices and receipts be stamped "Paid" in order to avoid duplicate payment.

Current Status:
Implemented.

FINDING 2007-5
Associated Student Body
30000

Finding:
During our disbursements test at West High School, we noted that 3 out of 24 purchase orders did not have the appropriate information present on them. The description of the purchases and the approval signatures were not present on the purchase orders.

Recommendation:
We recommend that purchase orders be completed and properly authorized

Current Status:
Implemented.

FINDING 2007-6
Associated Student Body
30000

Finding:
During our disbursements test at West High School, we noted that 2 out of 24 invoices lacked the appropriate approval signatures.

Recommendation:
We recommend that all purchases be reviewed and approved by appropriate personnel to avoid unauthorized transactions.

Current Status:
Implemented.

Section II - Financial Statement Findings (Continued)

FINDING 2007-7
Associated Student Body
30000

Finding:
During our cash receipts test at West High School, we noted that 2 out of 21 cash receipts were not supported with a count sheet that should be filled out and turned in by each respective club. We also noted that for 1 out of 21 cash receipts, there was a variance between the count sheet that was submitted by the club, the count sheet that was prepared by the Associated Student Body (ASB) office, and the amount that was deposited into the bank account. Additionally, 2 out of 21 count sheets that were prepared by clubs were not signed by the respective club advisor.

Recommendation:
We recommend that a completed count sheet accompany all money that is submitted to the ASB office. If any variances are noted between the money that is submitted and the count sheet that is prepared by the respective clubs, the ASB office should inquire with the respective club

Current Status:
Implemented

FINDING 2007-8
Associated Student Body
30000

Finding:
During our review of cash receipting procedures at West High School, we noted that a log of the sale of ASB stickers is not being kept. There are individual receipts for each sale, but these receipts are not numbered. We also noted that the sales that are made from the ASB office are not reconciled on a regular basis.

Recommendation:
We recommend that the ASB office keep a log of all sales of ASB stickers. We also recommend that all sales be reconciled on a regular basis to prevent the possibility of a variance existing between the cash collected and the sales that are made.

Current Status:
Implemented

FINDING 2007-9
Associated Student Body
30000

Finding:
During our examination of ASB minutes at West High School, we noted that the minutes were not signed by the appropriate personnel.

Recommendation:
The school should implement procedures to ensure that minutes are signed by appropriate personnel.

Current Status:
Implemented

Section III – Federal award findings and questioned costs

There was no federal award finding.

Section IV – State award findings and questioned costs

FINDING 2007-10
Attendance
10000

Finding:
During our review of internal control procedures, we noted that at South High School and Calle Mayor Middle School, the teachers were not recording the students' attendance on a timely basis.

Additionally, we noted that at Edison Elementary School, the attendance clerk does not look at the days that are marked with asterisks (which note that attendance has not been taken for the day) when reviewing the month-end reports.

Recommendation:
We recommend that District require all of its Schools to implement adequate attendance procedures so that attendance is recorded properly and timely.

Questioned Costs:
Not Applicable – This is an internal control finding

Current Status:
Not Implemented – See Finding 2008-6.

FINDING 2007-11
Kindergarten Retention
40000

Finding:
During our examination of kindergarten retention forms at Victor Elementary School, we noted that two kindergarten retention agreements did not have the anniversary dates because the School did not use the standard kindergarten retention forms.

Recommendation:
We recommend that the District require all elementary schools to use the standard kindergarten retention agreements for each child that repeats kindergarten.

Questioned Costs:
$10,775.45

Current Status:
Implemented

APPENDIX C

PROPOSED FORMS OF OPINIONS OF BOND COUNSEL

Upon the delivery of the Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinions with respect to the Bonds in substantially the following forms:

[Date of Delivery]

Torrance Unified School District
Torrance, California

Torrance Unified School District
General Obligation Bonds, Election of 2008 (Measure Y), Series 2009B-1

and

Torrance Unified School District
General Obligation Bonds, Election of 2008 (Measure Y), Series 2009B-2
(Build America Bonds – Federally Taxable)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Torrance Unified School District (the "District") in connection with the issuance by the County of Los Angeles (the "County"), on behalf of the District, which is located in the County, of $23,604,106 aggregate initial principal amount of bonds designated as "Torrance Unified School District General Obligation Bonds, Election of 2008 (Measure Y), Series 2009B-1" (the "Measure Y Series 2009B-1 Bonds"), and $31,000,000 aggregate principal amount of bonds designated as "Torrance Unified School District General Obligation Bonds, Election of 2008 (Measure Y), Series 2009B-2 (Build America Bonds – Federally Taxable)" (the "Measure Y Series 2009B-2 Bonds" and together with the Measure Y Series 2009B-1 Bonds, the "Measure Y Series 2009B Bonds"), representing part of an issue in the aggregate principal amount of $265,000,000 authorized at an election held in the District on November 4, 2008. The Measure Y Series 2009B Bonds are issued under and pursuant to a resolution of the Board of Supervisors of the County adopted on September 29, 2009 (the "County Resolution"), at the request of the District pursuant to a resolution of the Board of Education of the District adopted on September 8, 2009 (the "District Resolution"). The Measure Y Series 2009B-1 Bonds consist of $19,020,000 aggregate principal amount of current interest bonds and $4,584,106 aggregate initial principal amount of capital appreciation bonds. The Measure Y Series 2009B-2 Bonds consist of $31,000,000 aggregate principal amount of current interest bonds.

In such connection, we have reviewed the District Resolution, the County Resolution, the Tax Certificate of the District, dated the date hereof, relating to the Measure Y Series 2009B Bonds (the "Tax Certificate"), an opinion of counsel to the County, certificates of the District, the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Measure Y Series 2009B Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District and the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the District Resolution, the County Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Measure Y Series 2009B-1 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Measure Y Series 2009B Bonds, the District Resolution, the County Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents mentioned in the preceding sentence. We also express no opinion regarding the accreted value table or calculation set forth or referred to in any of the Measure Y Series 2009B-1 Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated October 15, 2009, relating to the Measure Y Series 2009B Bonds, or other offering materials relating to the Measure Y Series 2009B Bonds, and express no opinion with respect thereto.

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

1. The Measure Y Series 2009B Bonds constitute valid and binding obligations of the District.

2. The District Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.

3. The County Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the County.

4. The Board of Supervisors of the County has power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Measure Y Series 2009B Bonds and the interest thereon.

5. Interest on the Measure Y Series 2009B-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Measure Y Series 2009B-1 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings in calculating corporate alternative minimum taxable income. Interest on the Measure Y Series 2009B Bonds is exempt

from State of California personal income taxes. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Measure Y Series 2009B Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

[Date of Delivery]

Torrance Unified School District
Torrance, California

Torrance Unified School District
General Obligation Bonds, Election of 2008 (Measure Z), Series 2009B-1
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Torrance Unified School District (the "District") in connection with the issuance by the County of Los Angeles (the "County"), on behalf of the District, which is located in the County, of $18,920,282 aggregate initial principal amount of bonds designated as "Torrance Unified School District General Obligation Bonds, Election of 2008 (Measure Z), Series 2009B-1" (the "Measure Z Series 2009B-1 Bonds"), representing part of an issue in the aggregate principal amount of $90,000,000, authorized at an election held in the District on November 4, 2008. The Measure Z Series 2009B-1 Bonds are issued under and pursuant to a resolution of the Board of Supervisors of the County adopted on September 29, 2009 (the "County Resolution"), at the request of the District pursuant to a resolution of the Board of Education of the District adopted on September 8, 2009 (the "District Resolution"). The Measure Z Series 2009B-1 Bonds consist of $3,375,000 aggregate principal amount of current interest bonds and $15,545,282 aggregate initial principal amount of capital appreciation bonds.

In such connection, we have reviewed the District Resolution, the County Resolution, the Tax Certificate of the District, dated the date hereof, relating to the Measure Z Series 2009B-1 Bonds (the "Tax Certificate"), an opinion of counsel to the County, certificates of the District, the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Measure Z Series 2009B-1 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District and the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the District Resolution, the County Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Measure Z Series 2009B-1 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Measure Z Series 2009B-1 Bonds, the District Resolution, the County

Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents mentioned in the preceding sentence. We also express no opinion regarding the accreted value table or calculation set forth or referred to in any of the Measure Z Series 2009B-1 Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated October 15, 2009, relating to the Measure Z Series 2009B-1 Bonds, or other offering materials relating to the Measure Z Series 2009B-1 Bonds, and express no opinion with respect thereto.

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

1. The Measure Z Series 2009B-1 Bonds constitute valid and binding obligations of the District.

2. The District Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.

3. The County Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the County.

4. The Board of Supervisors of the County has power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Measure Z Series 2009B-1 Bonds and the interest thereon.

5. Interest on the Measure Z Series 2009B-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Measure Z Series 2009B-1 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Measure Z Series 2009B-1 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D

FORMS OF CONTINUING DISCLOSURE CERTIFICATES

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Torrance Unified School District (the "District") in connection with the issuance of $23,604,106 aggregate initial principal amount of Torrance Unified School District General Obligation Bonds, Election of 2008 (Measure Y), Series 2009B-1 (the "Series 2009B-1 Bonds"), and $31,000,000 aggregate principal amount of Torrance Unified School District General Obligation Bonds, Election of 2008 (Measure Y), Series 2009B-2 (Build America Bonds – Federally Taxable) (the "Series 2009B-2 Bonds" and together with the Series 2009B-1 Bonds, the "Bonds"). The Bonds are being issued pursuant to a resolution (the "County Resolution") adopted by the Board of Supervisors of the County of Los Angeles (the "County") on September 29, 2009, at the request of the Board of Education of the District by its resolution (the "District Resolution") adopted on September 8, 2009. The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

"Official Statement" shall mean the Official Statement, dated October 15, 2009 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

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

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

Section 3. **<u>Provision of Annual Reports</u>.** (a) The District shall, or shall cause the Dissemination Agent to, not later than eight months after the end of the District's fiscal year (which due date shall be March 1 of each year, so long as the fiscal year ends on June 30), commencing with the report for the 2008-2009 Fiscal Year (which is due not later than March 1, 2010), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c) hereof. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

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

(c) The Dissemination Agent shall:

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

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

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

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

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

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

(ii) The District's average daily attendance.

(iii) The District's outstanding debt.

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

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

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

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

Section 5. **Reporting of Significant Events.** (a) Pursuant to the provisions of this Section, the District shall promptly give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

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

(iv) unscheduled draws on the credit enhancements reflecting financial difficulties;

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

(vi) adverse tax opinions or events affecting the tax-exempt status of the Series 2009B-1 Bonds;

(vii) modifications to rights of Holders;

(viii) optional, contingent or unscheduled bond calls;

(ix) defeasances;

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

(xi) rating changes.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in paragraphs (viii) and (ix) of subsection (a) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the County Resolution.

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

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

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

(a) if the amendment or waiver relates to the provisions of Section 3(a), Section 4, or Section 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 the 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 the Holders in the same manner as provided in the County Resolution for amendments to the County 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.

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

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

Section 10. **Default.** In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the County 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 11. **Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and (if the Dissemination Agent is other than the District), the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Dated: October 29, 2009

TORRANCE UNIFIED SCHOOL DISTRICT

By: ______________________________

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD

Name of Issuer:	TORRANCE UNIFIED SCHOOL DISTRICT
Name of Issue:	Torrance Unified School District General Obligation Bonds, Election of 2008 (Measure Y), Series 2009B-1 and Torrance Unified School District General Obligation Bonds, Election of 2008 (Measure Y), Series 2009B-2 (Build America Bonds – Federally Taxable)
Date of Issuance:	October 29, 2009

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated October 29, 2009. [The District anticipates that the Annual Report will be filed by ____________.]

Dated:______________

TORRANCE UNIFIED SCHOOL DISTRICT

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Torrance Unified School District (the "District") in connection with the issuance of $18,920,282 aggregate initial principal amount of Torrance Unified School District General Obligation Bonds, Election of 2008 (Measure Z), Series 2009B-1 (the "Bonds"). The Bonds are being issued pursuant to a resolution (the "County Resolution") adopted by the Board of Supervisors of the County of Los Angeles (the "County") on September 29, 2009, at the request of the Board of Education of the District by its resolution (the "District Resolution") adopted on September 8, 2009. The District covenants and agrees as follows:

Section 13. **Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 14. **Definitions.** In addition to the definitions set forth in the County Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

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

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

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

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

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

"Official Statement" shall mean the Official Statement, dated October 15, 2009 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

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

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

Section 15. **Provision of Annual Reports.** (a) The District shall, or shall cause the Dissemination Agent to, not later than eight months after the end of the District's fiscal year (which due date shall be March 1 of each year, so long as the fiscal year ends on June 30), commencing with the report for the 2008-2009 Fiscal Year (which is due not later than March 1, 2010), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c) hereof. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

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

(c) The Dissemination Agent shall:

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

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

Section 16. <u>Content of Annual Reports</u>. The District's Annual Report shall contain or include by reference the following:

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

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

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

(ii) The District's average daily attendance.

(iii) The District's outstanding debt.

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

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

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

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

Section 17. **Reporting of Significant Events.** (a) Pursuant to the provisions of this Section, the District shall promptly give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

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

(iv) unscheduled draws on the credit enhancements reflecting financial difficulties;

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

(vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(vii) modifications to rights of Holders;

(viii) optional, contingent or unscheduled bond calls;

(ix) defeasances;

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

(xi) rating changes.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in paragraphs (viii) and (ix) of subsection (a) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the County Resolution.

Section 18. 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) hereof.

Section 19. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

Section 20. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a), Section 4, or Section 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 the 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 the Holders in the same manner as provided in the County Resolution for amendments to the County 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.

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

Section 21. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this

Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 22. **Default.** In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the County 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 23. **Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and (if the Dissemination Agent is other than the District), the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 24. **Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: October 29, 2009

TORRANCE UNIFIED SCHOOL DISTRICT

By: ______________________________

EXHIBIT A

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

Name of Issuer:	TORRANCE UNIFIED SCHOOL DISTRICT
Name of Issue:	Torrance Unified School District General Obligation Bonds, Election of 2008 (Measure Z), Series 2009B-1
Date of Issuance:	October 29, 2009

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated October 29, 2009. [The District anticipates that the Annual Report will be filed by ____________.]

Dated:____________

TORRANCE UNIFIED SCHOOL DISTRICT

APPENDIX E

SUMMARY OF COUNTY OF LOS ANGELES POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the "Treasurer") of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the "Treasury Pool"). As of August 31, 2009, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	$ 7.020
Schools and Community Colleges	10.390
Independent Public Agencies	2.244
Total	$ 19.654

Of these entities, the involuntary participants accounted for approximately 88.58%, and all discretionary participants accounted for 11.42% of the total treasury pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 31, 2009, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the "Investment Report") summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated September 25, 2009, the August 31, 2009 book value of the Treasury Pool was approximately $19.654 billion and the corresponding market value was approximately $19.766 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also review each investment trade for accuracy and compliance with the Board adopted Investment Policy. The County Auditor-Controller's Office performs similar cash and investment reconciliation on a quarterly basis and regularly reviews investment transactions for conformance with the approved policies. Additionally, the County's outside independent auditor annually accounts for all investments.

The following table identifies the types of securities held by the Pool as of August 31, 2009.

Type of Investment	% of Pool
U.S. Government and Agency Obligations	46.28
Certificates of Deposit	16.41
Commercial Paper	32.76
Bankers Acceptances	0.00
Municipal Obligations	0.20
Corporate Notes & Deposit Notes	4.33
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.02

The Treasury Pool is highly liquid. As of August 31, 2009 approximately 49.17% of the investments mature within 60 days, with an average of 530.66 days to maturity for the entire portfolio.

APPENDIX F

COUNTY INVESTMENT POLICY

COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR

500 WEST TEMPLE STREET
437 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012

MARK J. SALADINO
TREASURER AND TAX COLLECTOR

TELEPHONE
(213) 974-2101

TELECOPIER
(213) 626-1812

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

#25 MAR 31 2009

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

March 31, 2009

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**DEPARTMENT OF TREASURER AND TAX COLLECTOR
DELEGATION OF AUTHORITY TO INVEST AND
ANNUAL ADOPTION OF THE TREASURER AND TAX COLLECTOR
INVESTMENT POLICY
(ALL DISTRICTS) (3-VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Delegate the authority to invest and reinvest County funds and funds of other depositors in the County Treasury, to the Treasurer.
2. Adopt the attached Treasurer and Tax Collector Investment Policy (Investment Policy).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The requested actions are required by the California Government Code (Government Code) to permit the Treasurer to invest County funds and funds of other depositors in the County Treasury pursuant to the Investment Policy. Government Code Section 53646 permits your Board to approve annually the Investment Policy.

We have revised the Investment Policy approved by your Board on March 11, 2008 as follows:

On November 12, 2008, your Board approved the Treasurer's recommendation to disband the Treasury Oversight Committee due to its limited functions and the removal of any statutory requirement to have such a committee. Therefore, we have removed references to the Treasury Oversight Committee.

We have made some minor revisions to reflect changes to governing statutes or regulations.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This Investment Policy is in accordance with the Countywide Strategic Plan Goal #4: Fiscal Responsibility in investing County funds and funds of other depositors in the County Treasury.

FISCAL IMPACT/FINANCING

There is no fiscal impact from this action.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Government Code Section 27000.1 provides that your Board may annually delegate the authority to invest and reinvest funds of the County and funds of other depositors in the County Treasury to the Treasurer.

Government Code Section 53646 permits the Treasurer to render annually to your Board a statement of Investment Policy, to be reviewed and approved at a public meeting. This Code Section also requires that any change in the Investment Policy also be submitted to your Board for review and approval at a public hearing.

IMPACT ON CURRENT SERVICES

There is no impact on current services.

CONCLUSION

Upon approval, please return the adopted, stamped Board Letter to my office for further processing.

Respectfully submitted,

MARK J. SALADINO
Treasurer and Tax Collector

MJS:JK:tf

Attachments
c: Chief Executive Officer
County Counsel
Auditor-Controller

COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR
INVESTMENT POLICY

Authority to Invest

Pursuant to Government Code Section 27000.1 and Los Angeles County Code 2.52.025, the Los Angeles County Board of Supervisors has delegated to the Treasurer the authority to invest and reinvest the funds of the County and the funds of the depositors in the County Treasury.

Fundamental Investment Policy

The Treasurer, a trustee, is inherently a fiduciary and subject to the prudent investor standard. Accordingly, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing investments, the investment decisions SHALL be made with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity would use with like aims.

All investments SHALL be governed by the Government Code and comply with the specific limitations set forth within this Investment Policy. Periodically, it may be necessary and prudent to make investment decisions beyond the limitations set forth in the Investment Policy that are otherwise permissible by California Government Code. In these special circumstances, ONLY the Treasurer is permitted to give written approval to operate outside the limitations set forth within this Investment Policy.

Pooled Surplus Investment Portfolio

The Treasurer SHALL establish and maintain a Pooled Surplus Investment (PSI) portfolio. The PSI portfolio SHALL be used to provide safe, liquid investment opportunities for pooled surplus funds deposited into the County Treasury.

The investment policies of the PSI portfolio SHALL be directed by and based on three prioritized objectives. The primary objective SHALL be to ensure the safety of principal. The secondary objective SHALL be to meet the liquidity needs of the PSI participants, which might be reasonably anticipated. The third objective SHALL be to achieve a return on funds invested, without undue compromise of the first two objectives.

PSI revenue/loss distribution SHALL be shared on a pro-rata basis with the PSI participants. PSI revenue/loss distribution will be performed monthly, net of administrative costs authorized by Government Code Section 27013 which includes employee salaries and benefits and services and supplies, for investing, depositing or handling funds, and the distribution of interest income, based on the PSI participants' average daily fund balance as recorded on the Auditor-Controller's accounting records. Administrative costs SHALL be deducted from the monthly PSI revenue/loss distribution on the basis of one-twelfth of the budgeted costs and adjusted to actual costs.

Investments purchased with the intent to be held to maturity SHALL be accounted for in the Non-Trading partition of the PSI portfolio. Investments purchased with the intent to be sold prior to maturity SHALL be accounted for in the Trading partition of the PSI portfolio. The investments in the Trading partition SHALL NOT exceed $150 million without specific written approval of the Treasurer.

In the event that a decision is made to transfer a given security from one partition to another, it MAY be transferred at cost; however, the difference between the market value, exclusive of interest, at the time of transfer and the purchase price, exclusive of interest, SHALL be computed and disclosed as unrealized profit or loss.

All PSI investments SHALL be categorized according to the period of time from settlement date to maturity date as follows:

- SHORT-TERM investments are for periods of up to ONE YEAR.
- INTERMEDIATE-TERM investments are for periods of ONE YEAR to THREE YEARS.
- MEDIUM-TERM investments are for periods of over THREE YEARS to FIVE YEARS.
- LONG-TERM investments are for periods of over FIVE YEARS.

PSI investments SHALL be limited to the short-term category except that the Investment Office of the Treasurer's Office MAY make PSI investments in accordance with the limitations imposed in Attachments I, II, and III (all of which are attached hereto and incorporated by this reference.)

The weighted average maturity target of the PSI portfolio is 1.5 years. For purposes of maturity classification, the maturity date shall be the nominal maturity date or the unconditional put option date, if one exists.

The total PSI portfolio investments with maturities in excess of one year SHALL NOT exceed 75% of the last three years' average minimum total cash and investments, after adjustments, as indicated in Attachment II.

Liquidity of PSI Investments

Short-term liquidity SHALL further be maintained and adjusted monthly so that sufficient anticipated cash is available to fully meet unanticipated withdrawals of discretionary deposits, adjusted for longer-term commitments, within ninety days.

Such liquidity SHALL be monitored where, at the beginning of each month, the par value for maturities in the next ninety days plus projected PSI deposits for ninety days, divided by the projected PSI withdrawals for ninety days plus discretionary PSI deposits is equal to or greater than one.

The liquidation of investments is <u>not</u> required solely because the discretionary liquidity withdrawal ratio is less than one; however, investments SHALL be limited to a maximum maturity of thirty days until such time as the discretionary liquidity withdrawal ratio is equal to or greater than one.

The sale of any PSI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.

Specific Purpose Investment Portfolio

The Treasurer SHALL maintain a Specific Purpose Investment (SPI) portfolio to manage specific investment objectives of the SPI participants. Specific investments may be made with the approval of the requesting entity's governing body and the approval of the Treasurer. Revenue/loss distribution of the SPI portfolio SHALL be credited to the specific entity for which the investment was made. The Treasurer reserves the right to establish and charge the requesting entity fees for maintaining the entity's SPI portfolio.

Investments SHALL be limited to the short-term category, as defined above in the previous section for PSI investments, except when requested by a depositing entity and with the approval of the Treasurer, a longer term investment MAY be specifically made and held in the SPI portfolio.

The sale of any SPI instrument purchased in accordance with established policies is not required solely because an institution's credit rating is lowered after the purchase of the instrument.

Execution, Delivery, and Monitoring of Investments

The Treasurer SHALL designate, in writing, personnel authorized to execute investment transactions.

All transactions SHALL be executed on a delivery versus payment basis.

The Treasurer or financial advisor, consultant or manager acting on behalf of the Treasurer, in purchasing or obtaining any securities in a negotiable, bearer, registered, or nonregistered format, requires delivery of the securities to the Treasurer or designated custodial institution, by book entry, physical delivery, or by third party custodial agreement.

All investment transactions made by the Investment Office SHALL be reviewed by the Internal Controls Office to assure compliance with this Investment Policy.

Reporting Requirements

The Treasurer SHALL provide the Board of Supervisors with a monthly report consisting of, but not limited to, the following:

- All investments detailing each by type, issuer, date of maturity, par value, historical cost, market value and the source of the market valuation.

- Month-end bank balances for accounts under the control of the Treasurer.
- A description of funds, investments, or programs that are under the management of contracted parties, including lending programs for the Treasurer.
- A description of all investment exceptions, if any, to the Investment Policy.
- A statement denoting the ability of the PSI portfolio to meet the anticipated cash requirements for the participants for the next six months.

In accordance with Government Code Section 53646(j), the Treasurer SHALL provide the Treasurer's Investment Policy to the California Debt and Investment Advisory Commission no later than 60 days after the second quarter of each calendar year and subsequent amendments thereto no later than 60 days after the approval of any such amendments.

Discretionary Treasury Deposits and Withdrawal of Funds

At the sole direction of the Treasurer, PSI deposits may be accepted from local agencies not required to deposit their funds with the Los Angeles County Treasurer, pursuant to Government Code Section 53684.

At the time such deposits are made, the Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of $1 million. Such projections may be adjusted periodically as prescribed by the Treasurer but in no event less than semi-annually.

In accordance with Government Code Section 27136, all requests for withdrawal of such funds, for the purpose of investing or depositing these funds elsewhere SHALL be evaluated, prior to approving or disapproving the request, to ensure that the proposed withdrawal will not adversely affect the principal deposits of the other PSI participants.

If it is determined that the proposed withdrawal will negatively impact the principal deposits of the other PSI participants, the Treasurer may delay such withdrawals until the impact can be mitigated.

Broker/Dealer Section

Broker/Dealer SHALL be limited to primary government dealers as designated by the Federal Reserve Bank or institutions meeting one of the following:

A. Broker/Dealer with minimum capitalization of $500 million and who meets all five of the below listed criteria;

1. Be licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code or a member of a Federally regulated securities exchange and;
2. Be a member of the National Association of securities Dealers and;
3. Be registered with the Securities and Exchange Commission and;
4. Have been in operation for more than five years; and
5. Have a minimum annual trading volume of $100 billion in money market instruments or $500 billion in U.S. Treasuries and Agencies.

B. Emerging firms with office(s) in California licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code <u>or</u> a member of a Federally regulated exchange with a minimum capitalization of $200,000 to a maximum capitalization of $5 million and have met the quality criteria of the Treasurer.

Commercial Paper and Negotiable Certificates of Deposit may be purchased directly from issuers approved by the Treasurer.

An approved Treasurer Broker/Dealer list SHALL be maintained. Firms SHALL be removed from the approved Broker/Dealer list and trading suspended with firms failing to accurately and timely provide the following information:

A. Confirmation of daily trade transactions and all open trades in effect at month-end.

B. Responses to auditor requests for confirmation of investment transactions.

C. Responses to the Internal Controls Office requests for needed information.

Honoraria, Gifts, and Gratuities Limitations

The Treasurer, Chief Deputy Treasurer and Tax Collector and designated Treasurer and Tax Collector employees SHALL be governed by the provision of the State's Political Reform Act, the Los Angeles County Code relating to Lobbyists, and the Los Angeles County Code relating to postgovernment employment of County officials.

Investment Limitations

The Investment Office SHALL NOT invest in inverse floating rate notes, range notes, or interest only strips that are derived from a pool of mortgages.

The Investment Office SHALL NOT invest in any security that could result in zero interest if held to maturity.

For investment transactions in the PSI portfolio, the Investment Office SHALL obtain approval of the Treasurer before recognizing any loss exceeding $100,000 per transaction, calculated using amortized cost.

Proceeds from the sale of notes or funds set aside for the repayment of notes SHALL NOT be invested for a term that exceeds the term of the notes.

Permitted Investments

Permitted Investments SHALL be limited to the following:

A. Obligations of the United States Government, its agencies and instrumentalities.

1. Maximum maturity: None.
2. Maximum total par value: None.
3. Maximum par value per issuer: None.
4. Federal agencies: Additional limits in Section G apply if investments are Floating Rate Instruments.

B. Municipal Obligations from the approved list of municipalities (Attachment III)

1. Maximum maturity: As limited in Attachment III.
2. Maximum total par value: 10% of the PSI portfolio.

C. Asset-Backed Securities

1. Maximum maturity: Five years.
2. Maximum total par value: 20% of the PSI portfolio.
3. Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.
4. All Asset-Backed securities must be rated at least AA and the issuer's corporate debt rating must be at least A.

D. Bankers' Acceptance Domestic and Foreign

1. Maximum maturity: 180 days and limits outlined in Attachment I for issuer's current credit rating.

2. Maximum total par value: 40% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. The aggregate total of Bankers' Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:

   a) The total shareholders' equity of depository bank.

   b) The total net worth of depository bank.

E. Negotiable Certificates of Deposit (CD)

1. Maximum maturity: Three years and limits outlined in Attachment I for issuer's current credit rating.

2. Maximum total par value: Aggregate total of Domestic and Euro CD's are limited to 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Must be issued by:

   a) National or State-chartered bank, or

   b) State-licensed branch of a foreign bank.

5. Euro CD's:

   a) Maximum maturity: One year and limits outlined in Attachment I for issuer's current credit rating.

   b) Maximum total par value: 10% of the PSI portfolio.

   c) Maximum par value per issuer: Per limits outlined in Attachment I for issuer's current credit rating.

d) Limited to London branch of National or State-chartered banks.

6. The aggregate total of Bankers Acceptances and Negotiable Certificates of Deposits SHALL NOT exceed:

   a) The total shareholders' equity of depository bank.

   b) The total net worth of the depository bank.

F. Corporate and Depository Notes

1. Maximum maturity: Three years and limits outlined in Attachment I for the issuer's current credit rating.

2. Maximum total par value: 30% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Notes MUST be issued by:

   a) Corporations organized and operating within the United States.

   b) Depository institutions licensed by the United States or any State and operating within the United States.

5. Additional limits in Section G apply if note is a Floating Rate Note Instrument.

G. Floating Rate Notes

Floating Rate Notes included in this category are defined as any instrument that has a coupon or interest rate that is adjusted periodically due to changes in a base or benchmark rate.

1. Maximum maturity: Seven years, provided that Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 million par value may be greater than five years to maturity.

2. Maximum total par value: 10% of the PSI portfolio.

3. Maximum par value per issuer: Per limits outlined in Attachment I for the issuer's current credit rating.

4. Benchmarks SHALL be limited to commercially available U.S. Dollar denominated indexes.

5. The Investment Office SHALL obtain the prospectus or the issuer term sheet prior to purchase for all Floating Rate Notes and SHALL include the following on the trade ticket:

   a) Specific basis for the benchmark rate.

   b) Specific computation for the benchmark rate.

   c) Specific reset period.

   d) Notation of any put or call provisions.

H. Commercial Paper

1. Maximum maturity: 270 days and limits outlined in Attachment I for the issuer's current credit rating.

2. Maximum total par value: 40% of the PSI portfolio.

3. Maximum par value per issuer: The lesser of 10% of the PSI portfolio or the limits outlined in Attachment I for the issuer's current credit rating.

4. Credit: Issuing Corporation - Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):

   (a) The entity meets the following criteria:

      1) Is organized and operating in the United States as a general corporation.

      2) Has total assets in excess of $500MM.

      3) Has debt other than commercial paper, if any, that is rated "A" or higher by NRSRO.

   (b) The entity meets the following criteria:

      1) Is organized in the United States as a Limited Liability Company or Special Purpose Corporation.

      2) Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.

3) Has commercial paper that is rated "A-1"or higher, or the equivalent, by a NRSRO.

I. Shares of Beneficial Interest

1. Money Market Fund (MMF) - Shares of beneficial interest issued by diversified management companies known as money market mutual funds, registered with the Securities and Exchange Commission in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulation. The company SHALL have met either of the following criteria:

   a) Attained the highest possible rating by not less than two NRSRO.

   b) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience investing in the securities and obligations authorized in Government Code Section 53601 and with assets under management in excess of five hundred million dollars ($500,000,000).

   Maximum total par value: 15% of the PSI portfolio. However, no more than 10% of the PSI may be invested in any one fund.

2. State of California's Local Agency Investment Fund (LAIF) pursuant to Government Code Section 16429.1.

3. Trust Investments – Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in securities and obligations authorized in Section 53601 (a) to (o) of the Government Code. To be eligible, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

   a) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

   b) The adviser has not less than five years of experience investing in the securities and obligations authorized in Section 53601 (a) to (o) of the Government Code.

   c) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

J. Repurchase Agreement

1. Maximum maturity: 30 days.

2. Maximum total par value: $1.0 billion.

3. Maximum par value per dealer: $500 million.

4. Agreements must be in accordance with approved written master repurchase agreement.

5. Agreements must be fully secured by obligations of the United States Government, its agencies and instrumentalities. The market value of these obligations that underlay a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less than monthly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. If a repurchase agreement matures the next business day after purchase, the repurchase agreement is not out of compliance with this collateralization requirement if the value of the collateral falls below the 102% requirement at the close of business on settlement date.

K. Reverse Repurchase Agreement

1. Maximum term: One year.

2. Maximum total par value: $500 million.

3. Maximum par value per broker: $250 million.

4. Dealers limited to those primary dealers or those nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(i)(4)(B) approved specifically by the Treasurer.

5. Agreements SHALL only be made for the purpose of enhancing investment revenue.

6. Agreements must be in accordance with approved written master repurchase agreement.

7. Securities eligible to be sold with a simultaneous agreement to repurchase SHALL be limited to obligations of the United States Government and its agencies and instrumentalities.

8. The security to be sold on reverse repurchase agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.

9. The proceeds of the reverse repurchase agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.

10. The proceeds of the reverse repurchase agreement SHALL be invested in instruments with maturities occurring at or before the maturity of the reverse repurchase agreement.

11. In no instance SHALL the investment from the proceeds of a reverse repurchase agreement be sold as part of a subsequent reverse repurchase agreement.

L. Forwards, Futures and Options

Forward contracts are customized contracts traded in the Over The Counter Market where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Future contracts are standardized contracts traded on recognized exchanges where the holder of the contract is OBLIGATED to buy or sell a specific amount of an underlying asset at a specific price on a specific future date.

Option contracts are those traded in either the Over The Counter Market or recognized exchanges where the purchaser has the RIGHT but not the obligation to buy or sell a specific amount of an underlying asset at a specific price within a specific time period.

1. Maximum maturity: 90 days.

2. Maximum aggregate par value: $100 million.

3. Maximum par value per counterparty: $50 million. Counterparties for Forward and Option Contracts limited to those on the approved Treasurer and Tax Collector list and must be rated A or better from at least one nationally recognized rating agency.

4. The underlying securities SHALL be an obligation of the United States Government and its agencies and instrumentalities.

5. Premiums paid to an option seller SHALL be recognized as an option loss at the time the premium is paid and SHALL not exceed $100,000 for each occurrence or exceed a total of $250,000 in any one quarter. Premiums received from an option purchase SHALL be recognized as an option gain at the time the premium is received.

6. Complex or hybrid forwards, futures or options defined as agreements combining two or more categories are prohibited unless specific written approval of the

Treasurer is obtained PRIOR to entering into the agreement.

7. Open forward, future, and option contracts SHALL be marked to market weekly and a report SHALL be prepared by the Internal Controls Office.

8. In conjunction with the sale of bonds, the Treasurer MAY authorize exceptions to maturity and par value limits for forwards, futures and options.

M. Interest Rate Swaps

Interest Rate Swaps SHALL be used only in conjunction with the sale of bonds approved by the Board of Supervisors. In accordance with Government Code Section 53534, these agreements SHALL be made only if all bonds are rated in one of the three highest rating categories by two nationally recognized rating agencies and only upon receipt, from any rating agency rating the bonds, of written evidence that the agreement will not adversely affect the rating.

Further, the counterparty to such an agreement SHALL be rated A or better from at least one nationally recognized rating agency selected by the Treasurer, or the counterparty SHALL provide an irrevocable letter of credit from an institution rated A or better from at least one nationally recognized rating agency acceptable to the Treasurer.

N. Securities Lending Agreement

Securities lending agreements are agreements under which the Treasurer agrees to transfer securities to a borrower who, in turn agrees to provide collateral to the Treasurer. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the Treasurer in return for the collateral.

1. Maximum term: 180 days.

2. Maximum par value: Maximum par value is limited to a combined total of reverse repurchase agreements and loaned securities of 20% of the base value of the portfolio.

3. Dealers limited to those primary dealers or those nationally or State chartered banks that have a significant banking relationship with the County as defined in Government Code Section 53601(i)(4)(B) approved specifically by the Treasurer.

4. Agreements SHALL only be made for the purpose of enhancing investment revenue.

5. Securities eligible to be sold with a simultaneous agreement to repurchase SHALL

be limited to obligations of the United States Government and its agencies and instrumentalities.

6. The security to be sold on reverse repurchase agreement SHALL have been owned and fully paid for by the Treasurer for a minimum of 30 days prior to sale.

7. The proceeds of the reverse repurchase agreement SHALL be invested in authorized instruments with a maturity less than 92 days unless the agreement includes a codicil guaranteeing a minimum earning or spread to maturity.

8. In no instance SHALL the investment from the proceeds of a reverse repurchase agreement be sold as part of a subsequent reverse repurchase agreement.

O. Investment of Bond Proceeds

Funds from bond proceeds may be invested in accordance with Government Code Section 53601(m), which permits investment according to the statutory provisions governing the issuance of those bonds, or in lieu of any statutory provisions to the contrary, in accordance with the approved financing documents for the issuance.

County of Los Angeles
Treasurer and Tax Collector
ATTACHMENT 1 a.

MINIMUM CREDIT RATING
DOMESTIC ISSUERS

Bankers' Acceptance	**Certificates of Deposit**	**Corporate Notes, Asset Backed Securities (ASB) and Floating Rate Notes (FRN)**		**Limit**
Maximum maturity 180 days	Maximum maturity 3 years	Corporate: 3 years ASB: 5 years FRN: 5 years (1)		
Moody's	Moody's	S&P	Moody's	
P-1/Aaa	P-1/Aaa	A-1/AAA	P-1/Aaa	$500MM maximum, of which $300MM may be over 180 days.
P-1/Aa	P-1/Aa	A-1/AA	P-1/Aa	$375MM maximum, of which $175MM may be over 180 days.
P-1/A	P-1A	A-1/A	P-1/A	$250MM maximum, of which $125MM may be over 90 days to a maximum of 180 days.

Commercial Paper		**Limit**
Maximum maturity 270 days		
S&P	Moody's	
A-1/AAA	P-1/Aaa	$750MM maximum, of which $450MM may be over 180 days.
A-1/AA	P-1/Aa	$575MM maximum, of which $250MM may be over 180 days.
A-1/A	P-1/A	$375MM maximum, of which $175MM may be over 90 days to a maximum of 180 days.

(1) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 million par value may be greater than five years to maturity.

County of Los Angeles
Treasurer and Tax Collector
ATTACHMENT 1 b.

MINIMUM CREDIT RATING
FOREIGN ISSUERS

Bankers' Acceptance		**Commercial Paper**		**Certificates of Deposit**		**Corporate Notes, Asset Backed Securities (ASB) and Floating Rate Notes (FRN)**		**Limit**
Maximum maturity 180 days		Maximum maturity 270 days		Maximum maturity 3 years		Corporate: 3 years ASB: 5 years FRN: 5 years (1)		
IBCA	Moody's	S&P	Moody's	IBCA	Moody's	S&P	Moody's	
2-A	P-1/Aaa	A-1/AAA	P-1/Aaa	2-A	P-1/Aaa	A-1/AAA	P-1/Aaa	$425MM maximum, of which $175MM may be over 180 days
2-A/B				2-A/B				$375MM maximum, of which $175MM may be over 180 days
2-B	P-1/Aa	A-1/AA	P-1/Aa	2-B	P-1/Aa	A-1/AA	P-1/Aa	$300MM maximum, of which $150MM may be over 180 days
2-B/C				2-B/C				$175MM maximum, of which $75MM may be over 180 days
	P-1/A	A-1/A	P-1/A		P-1/A	A-1/A	P-1/A	$175MM maximum, of which $75MM may be over 90 days to a maximum of 180 days

(1) Seven years, if Board of Supervisors' authorization to exceed maturities in excess of five years is in effect, of which a maximum of $100 million par value may be greater than five years to maturity.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT II

LIMITATION CALCULATION FOR
INTERMEDIATE-TERM, MEDIUM-TERM AND LONG-TERM HOLDINGS
(Actual $)

	2008	**2007**	**2006**
Minimum invested balance and available cash	$18,170,362,473	$17,468,093,816	$15,304,590,937
Less:			
• Los Angeles County TRANS (required to be Short-Term)	(500,000,000)	(500,000,000)	(500,000,000)
• Discretionary deposits	(2,310,142,058)	(1,693,222,739)	(1,396,930,533)
Minimum available balance	$15,360,220,415	$15,274,871,077	$13,407,660,404
Average minimum available balance			$14,680,917,299
Multiplied by the percent available for investment over one year			75%
Equals the available balance for investment over one year			$11,010,687,974
Intermediate-Term (from one to three years) • One-third of the available balance for investment			$3,670,229,325
Medium-Term and Long-Term (greater than three years) • Two-thirds of available balance for investment (1)			$7,340,458,649

(1) Any unused portion of the Medium-Term and Long-Term available balance may be used for Intermediate-Term investments.

County of Los Angeles
Treasurer and Tax Collector
Investment Policy
ATTACHMENT III

APPROVED LIST OF MUNICIPAL OBLIGATIONS

1. Any obligation issued or caused to be issued by the County of Los Angeles on its behalf or on behalf of other Los Angeles County affiliates. If on behalf of other Los Angeles County affiliates, the affiliate must have a minimum rating of A3 (Moody's) or A- (Standard and Poor's or Fitch). The maximum maturity is limited to 30 years.

2. Any short-term obligation issued by the State of California or a California local agency with a Moody's rating of MIG-1 or A. Maximum maturity limited to five years.

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner")is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting

on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

APPENDIX H

TABLES OF ACCRETED VALUES

Torrance Unified School District
Los Angeles County, California
2008 GO Bonds, Series 2009B Measure Y B-1
Table of Accreted Values

Settlement	10/29/2009
Maturity Date	8/1/2022
Maturity Amount	$5,400,000
Accretion Rate	11.785%
Original $Price	23.209%
Original Principal	$1,253,286.00

Period Ending	Total Accreted Value	Accreted Value per $5,000	Accreted Price
10/29/2009	$1,253,286.00	$1,160.45	23.209
2/1/2010	1,290,503.43	1,194.91	23.898
8/1/2010	1,366,546.92	1,265.32	25.306
2/1/2011	1,447,071.30	1,339.88	26.798
8/1/2011	1,532,340.62	1,418.83	28.377
2/1/2012	1,622,634.47	1,502.44	30.049
8/1/2012	1,718,248.93	1,590.97	31.819
2/1/2013	1,819,497.51	1,684.72	33.694
8/1/2013	1,926,712.21	1,783.99	35.680
2/1/2014	2,040,244.58	1,889.12	37.782
8/1/2014	2,160,466.90	2,000.43	40.009
2/1/2015	2,287,773.37	2,118.31	42.366
8/1/2015	2,422,581.44	2,243.13	44.863
2/1/2016	2,565,333.13	2,375.31	47.506
8/1/2016	2,716,496.52	2,515.27	50.305
2/1/2017	2,876,567.28	2,663.49	53.270
8/1/2017	3,046,070.29	2,820.44	56.409
2/1/2018	3,225,561.34	2,986.63	59.733
8/1/2018	3,415,628.97	3,162.62	63.252
2/1/2019	3,616,896.43	3,348.98	66.980
8/1/2019	3,830,023.66	3,546.32	70.926
2/1/2020	4,055,709.50	3,755.29	75.106
8/1/2020	4,294,693.99	3,976.57	79.531
2/1/2021	4,547,760.74	4,210.89	84.218
8/1/2021	4,815,739.56	4,459.02	89.180
2/1/2022	5,099,509.16	4,721.77	94.435
8/1/2022	5,400,000.00	5,000.00	100.000

Torrance Unified School District
Los Angeles County, California
2008 GO Bonds, Series 2009B Measure Y B-1
Table of Accreted Values

Settlement	10/29/2009
Maturity Date	8/1/2023
Maturity Amount	$9,000,000
Accretion Rate	11.785%
Original $Price	20.698%
Original Principal	$1,862,820.00

Period Ending	Total Accreted Value	Accreted Value per $5,000	Accreted Price
10/29/2009	$1,862,820.00	$1,034.90	20.698
2/1/2010	1,918,137.85	1,065.63	21.313
8/1/2010	2,031,164.51	1,128.42	22.568
2/1/2011	2,150,851.30	1,194.92	23.898
8/1/2011	2,277,590.65	1,265.33	25.307
2/1/2012	2,411,798.14	1,339.89	26.798
8/1/2012	2,553,913.83	1,418.84	28.377
2/1/2013	2,704,403.72	1,502.45	30.049
8/1/2013	2,863,761.26	1,590.98	31.820
2/1/2014	3,032,508.98	1,684.73	33.695
8/1/2014	3,211,200.18	1,784.00	35.680
2/1/2015	3,400,420.81	1,889.12	37.782
8/1/2015	3,600,791.30	2,000.44	40.009
2/1/2016	3,812,968.65	2,118.32	42.366
8/1/2016	4,037,648.61	2,243.14	44.863
2/1/2017	4,275,567.87	2,375.32	47.506
8/1/2017	4,527,506.58	2,515.28	50.306
2/1/2018	4,794,290.82	2,663.49	53.270
8/1/2018	5,076,795.38	2,820.44	56.409
2/1/2019	5,375,946.58	2,986.64	59.733
8/1/2019	5,692,725.33	3,162.63	63.253
2/1/2020	6,028,170.32	3,348.98	66.980
8/1/2020	6,383,381.49	3,546.32	70.926
2/1/2021	6,759,523.54	3,755.29	75.106
8/1/2021	7,157,829.84	3,976.57	79.531
2/1/2022	7,579,606.41	4,210.89	84.218
8/1/2022	8,026,236.26	4,459.02	89.180
2/1/2023	8,499,183.86	4,721.77	94.435
8/1/2023	9,000,000.00	5,000.00	100.000

Torrance Unified School District
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Table of Accreted Values

Settlement	10/29/2009
Maturity Date	8/1/2026
Maturity Amount	$10,000,000
Accretion Rate	11.785%
Original $Price	14.680%
Original Principal	$1,468,000.00

Period Ending	Total Accreted Value	Accreted Value per $5,000	Accreted Price
10/29/2009	$1,468,000.00	$734.00	14.680
2/1/2010	1,511,593.94	755.80	15.116
8/1/2010	1,600,666.08	800.33	16.007
2/1/2011	1,694,986.89	847.49	16.950
8/1/2011	1,794,865.65	897.43	17.949
2/1/2012	1,900,629.86	950.31	19.006
8/1/2012	2,012,626.33	1,006.31	20.126
2/1/2013	2,131,222.30	1,065.61	21.312
8/1/2013	2,256,806.65	1,128.40	22.568
2/1/2014	2,389,791.19	1,194.90	23.898
8/1/2014	2,530,611.96	1,265.31	25.306
2/1/2015	2,679,730.74	1,339.87	26.797
8/1/2015	2,837,636.49	1,418.82	28.376
2/1/2016	3,004,846.99	1,502.42	30.048
8/1/2016	3,181,910.53	1,590.96	31.819
2/1/2017	3,369,407.72	1,684.70	33.694
8/1/2017	3,567,953.35	1,783.98	35.680
2/1/2018	3,778,198.49	1,889.10	37.782
8/1/2018	4,000,832.52	2,000.42	40.008
2/1/2019	4,236,585.48	2,118.29	42.366
8/1/2019	4,486,230.41	2,243.12	44.862
2/1/2020	4,750,585.91	2,375.29	47.506
8/1/2020	5,030,518.82	2,515.26	50.305
2/1/2021	5,326,947.05	2,663.47	53.269
8/1/2021	5,640,842.61	2,820.42	56.408
2/1/2022	5,973,234.76	2,986.62	59.732
8/1/2022	6,325,213.45	3,162.61	63.252
2/1/2023	6,697,932.82	3,348.97	66.979
8/1/2023	7,092,615.05	3,546.31	70.926
2/1/2024	7,510,554.31	3,755.28	75.106
8/1/2024	7,953,121.05	3,976.56	79.531
2/1/2025	8,421,766.47	4,210.88	84.218
8/1/2025	8,918,027.28	4,459.01	89.180
2/1/2026	9,443,530.74	4,721.77	94.435
8/1/2026	10,000,000.00	5,000.00	100.000

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Table of Accreted Values

Settlement	10/29/2009
Maturity Date	8/1/2019
Maturity Amount	$1,800,000
Accretion Rate	5.600%
Original $Price	58.344%
Original Principal	$1,050,192.00

Period Ending	Total Accreted Value	Accreted Value per $5,000	Accreted Price
10/29/2009	*$1,050,192.00*	*$2,917.20*	*58.344*
2/1/2010	1,065,120.26	2,958.67	59.173
8/1/2010	1,094,944.25	3,041.51	60.830
2/1/2011	1,125,603.33	3,126.68	62.534
8/1/2011	1,157,120.88	3,214.22	64.284
2/1/2012	1,189,520.93	3,304.22	66.084
8/1/2012	1,222,828.21	3,396.75	67.935
2/1/2013	1,257,068.12	3,491.86	69.837
8/1/2013	1,292,266.76	3,589.63	71.793
2/1/2014	1,328,450.98	3,690.14	73.803
8/1/2014	1,365,648.38	3,793.47	75.869
2/1/2015	1,403,887.33	3,899.69	77.994
8/1/2015	1,443,197.00	4,008.88	80.178
2/1/2016	1,483,607.36	4,121.13	82.423
8/1/2016	1,525,149.23	4,236.53	84.731
2/1/2017	1,567,854.29	4,355.15	87.103
8/1/2017	1,611,755.13	4,477.10	89.542
2/1/2018	1,656,885.21	4,602.46	92.049
8/1/2018	1,703,278.97	4,731.33	94.627
2/1/2019	1,750,971.77	4,863.81	97.276
8/1/2019	1,800,000.00	5,000.00	100.000

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Table of Accreted Values

Settlement	10/29/2009
Maturity Date	8/1/2020
Maturity Amount	$3,000,000
Accretion Rate	9.828%
Original $Price	35.632%
Original Principal	$1,068,960.00

Period Ending	Total Accreted Value	Accreted Value per $5,000	Accreted Price
10/29/2009	$1,068,960.00	$1,781.60	35.632
2/1/2010	1,095,493.69	1,825.82	36.516
8/1/2010	1,149,327.38	1,915.55	38.311
2/1/2011	1,205,806.52	2,009.68	40.194
8/1/2011	1,265,061.11	2,108.44	42.169
2/1/2012	1,327,227.52	2,212.05	44.241
8/1/2012	1,392,448.86	2,320.75	46.415
2/1/2013	1,460,875.24	2,434.79	48.696
8/1/2013	1,532,664.17	2,554.44	51.089
2/1/2014	1,607,980.88	2,679.97	53.599
8/1/2014	1,686,998.73	2,811.66	56.233
2/1/2015	1,769,899.59	2,949.83	58.997
8/1/2015	1,856,874.30	3,094.79	61.896
2/1/2016	1,948,123.03	3,246.87	64.937
8/1/2016	2,043,855.81	3,406.43	68.129
2/1/2017	2,144,293.01	3,573.82	71.476
8/1/2017	2,249,665.79	3,749.44	74.989
2/1/2018	2,360,216.70	3,933.69	78.674
8/1/2018	2,476,200.20	4,127.00	82.540
2/1/2019	2,597,883.25	4,329.81	86.596
8/1/2019	2,725,545.93	4,542.58	90.852
2/1/2020	2,859,482.08	4,765.80	95.316
8/1/2020	3,000,000.00	5,000.00	100.000

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Table of Accreted Values

Settlement	10/29/2009
Maturity Date	8/1/2034
Maturity Amount	$67,000,000
Accretion Rate	6.600%
Original $Price	20.039%
Original Principal	$13,426,130.00

Period Ending	Total Accreted Value	Accreted Value per $5,000	Accreted Price
10/29/2009	$13,426,130.00	$1,001.95	20.039
2/1/2010	13,650,787.09	1,018.72	20.374
8/1/2010	14,101,263.96	1,052.33	21.047
2/1/2011	14,566,606.60	1,087.06	21.741
8/1/2011	15,047,305.58	1,122.93	22.459
2/1/2012	15,543,867.65	1,159.99	23.200
8/1/2012	16,056,816.31	1,198.27	23.965
2/1/2013	16,586,692.30	1,237.81	24.756
8/1/2013	17,134,054.24	1,278.66	25.573
2/1/2014	17,699,479.16	1,320.86	26.417
8/1/2014	18,283,563.13	1,364.45	27.289
2/1/2015	18,886,921.92	1,409.47	28.189
8/1/2015	19,510,191.58	1,455.98	29.120
2/1/2016	20,154,029.19	1,504.03	30.081
8/1/2016	20,819,113.48	1,553.67	31.073
2/1/2017	21,506,145.59	1,604.94	32.099
8/1/2017	22,215,849.81	1,657.90	33.158
2/1/2018	22,948,974.32	1,712.61	34.252
8/1/2018	23,706,291.98	1,769.13	35.383
2/1/2019	24,488,601.17	1,827.51	36.550
8/1/2019	25,296,726.62	1,887.82	37.756
2/1/2020	26,131,520.27	1,950.11	39.002
8/1/2020	26,993,862.15	2,014.47	40.289
2/1/2021	27,884,661.38	2,080.94	41.619
8/1/2021	28,804,857.04	2,149.62	42.992
2/1/2022	29,755,419.22	2,220.55	44.411
8/1/2022	30,737,350.01	2,293.83	45.877
2/1/2023	31,751,684.58	2,369.53	47.391
8/1/2023	32,799,492.26	2,447.72	48.954
2/1/2024	33,881,877.66	2,528.50	50.570
8/1/2024	34,999,981.85	2,611.94	52.239
2/1/2025	36,154,983.56	2,698.13	53.963
8/1/2025	37,348,100.39	2,787.17	55.743
2/1/2026	38,580,590.16	2,879.15	57.583
8/1/2026	39,853,752.18	2,974.16	59.483
2/1/2027	41,168,928.62	3,072.31	61.446
8/1/2027	42,527,505.97	3,173.69	63.474
2/1/2028	43,930,916.47	3,278.43	65.569
8/1/2028	45,380,639.60	3,386.61	67.732
2/1/2029	46,878,203.69	3,498.37	69.967
8/1/2029	48,425,187.50	3,613.82	72.276
2/1/2030	50,023,221.87	3,733.08	74.662
8/1/2030	51,673,991.48	3,856.27	77.125
2/1/2031	53,379,236.60	3,983.53	79.671
8/1/2031	55,140,754.92	4,114.98	82.300
2/1/2032	56,960,403.46	4,250.78	85.016
8/1/2032	58,840,100.52	4,391.05	87.821
2/1/2033	60,781,827.71	4,535.96	90.719
8/1/2033	62,787,632.02	4,685.64	93.713
2/1/2034	64,859,628.01	4,840.27	96.805
8/1/2034	67,000,000.00	5,000.00	100.000