NEW ISSUES — BOOK-ENTRY ONLY **RATINGS:**
(See "MISCELLANEOUS — Ratings" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based on 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 2011 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2011 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011 Bonds. See "TAX MATTERS" herein.

$24,998,562.75
MARTINEZ UNIFIED SCHOOL DISTRICT (COUNTY OF CONTRA COSTA, CALIFORNIA) GENERAL OBLIGATION BONDS, ELECTION OF 2010, SERIES 2011

$13,075,000
MARTINEZ UNIFIED SCHOOL DISTRICT (COUNTY OF CONTRA COSTA, CALIFORNIA) GENERAL OBLIGATION REFUNDING BONDS, SERIES 2011

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 Martinez Unified School District (County of Contra Costa, California) General Obligation Bonds, Election of 2010, Series 2011 (the "Series 2011 New Money Bonds") are issued by the Martinez Unified School District (the "District") to finance specific construction, repair and improvement projects approved by the voters of the District. The Series 2011 New Money Bonds are being issued under the laws of the State of California (the "State") and pursuant to a resolution of the Board of Education of the District. The Martinez Unified School District (County of Contra Costa, California) General Obligation Refunding Bonds, Series 2011 (the "Series 2011 Refunding Bonds") are being issued to refund certain of the District's outstanding bonds and to pay costs of issuance of the Series 2011 Refunding Bonds. The Series 2011 Refunding Bonds are being issued under the laws of the State and the Paying Agent Agreement, dated as of May 1, 2011, by and between the District and The Bank of New York Mellon Trust Company, N.A., as paying agent. The Series 2011 New Money Bonds and the Series 2011 Refunding Bonds are referred to collectively herein as the "Series 2011 Bonds."

The Series 2011 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 of Contra Costa, California (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 or accreted value of and interest on the Series 2011 Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2011 BONDS" herein.

The Series 2011 New Money Bonds will be issued as capital appreciation bonds that convert to current interest bonds (the "Convertible Capital Appreciation Bonds"), and the Series 2011 Refunding Bonds will be issued as current interest bonds (the "Current Interest Bonds"), all as set forth on the inside front cover hereof. The Convertible Capital Appreciation Bonds will initially constitute capital appreciation bonds and will convert to current interest bonds on their respective conversion dates as set forth on the inside front cover hereof (each a "Conversion Date"). Prior to the Conversion Date thereof, the Convertible Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their stated accreted value at the Conversion Date thereof payable only at maturity on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. Prior to the Conversion Date of a Convertible Capital Appreciation Bond, interest on such Convertible Capital Appreciation Bond will be compounded on each February 1 and August 1, commencing August 1, 2011. From and after the Conversion Date of a Convertible Capital Appreciation Bond, such Convertible Capital Appreciation Bond will bear current interest on the accreted value thereof at the rates set forth on the inside front cover page of this Official Statement, payable on each February 1 and August 1 to maturity, commencing on the February 1 or August 1 immediately following such Conversion Date.

Interest on the Current Interest Bonds is payable on each February 1 and August 1 to maturity, commencing August 1, 2011. 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 Series 2011 Bonds will be issued in denominations of $5,000 principal amount or accreted value at the Conversion Date thereof, as applicable, or any integral multiple thereof as shown on the inside front cover hereof.

Each series of the Series 2011 Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for each series of the Series 2011 Bonds. Individual purchases of the Series 2011 Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series 2011 Bonds purchased by them. See "THE SERIES 2011 BONDS – Form and Registration" herein. Payments of the principal or accreted value of and interest on each series of the Series 2011 Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as paying agent, to DTC for subsequent disbursement through DTC Participants to the beneficial owners of the Series 2011 Bonds. See "THE SERIES 2011 BONDS – Payment of Principal and Interest" herein.

The Series 2011 Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2011 BONDS — Redemption" herein.

Each series of the Series 2011 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; and for the Underwriter by its counsel, Nossaman, LLP, Irvine, California. It is anticipated that each series of the Series 2011 Bonds, in definitive form, will be available for delivery through the facilities of DTC in New York, New York, on or about May 24, 2011.

PiperJaffray

Dated: May 10, 2011

MATURITY SCHEDULE

BASE CUSIP[1]: 573428

$24,998,562.75
SERIES 2011 NEW MONEY BONDS

$1,710,902.30 Serial Convertible Capital Appreciation Bonds

Maturity (August 1)	Initial Principal Amount	Accretion Rate	Stated Accreted Value at Conversion Date	Conversion Date (August 1)	Coupon Upon Conversion	Reoffering Yield	CUSIP Number[1]
2015	$ 53,015.30	6.500%	$ 65,000	2014	6.500%	2.75%	HC6
2016	85,640.10	6.500	105,000	2014	6.500	3.00	HD4
2017	150,889.70	6.500	185,000	2014	6.500	3.25	HE2
2018	228,373.60	6.500	280,000	2014	6.500	3.50	HF9
2019	305,857.50	6.500	375,000	2014	6.500	3.75	HG7
2020	395,575.70	6.500	485,000	2014	6.500	4.00	HH5
2021	491,550.40	6.625	605,000	2014	6.625	4.25	HJ1

$4,361,894.15 Initial Principal Amount of Term Convertible Capital Appreciation Bonds due August 1, 2026
5.375% Accretion Rate to (but excluding) Conversion Date
August 1, 2014 Conversion Date - $5,165,000 Stated Value at Conversion Date
5.375% Interest Rate from and after Conversion Date
Reoffering Yield 5.375% - CUSIP Number[1] – HK8

$8,240,462.30 Initial Principal Amount of Term Convertible Capital Appreciation Bonds due August 1, 2031
5.875% Accretion Rate to (but excluding) Conversion Date
August 1, 2014 Conversion Date - $9,910,000 Stated Value at Conversion Date
5.875% Interest Rate from and after Conversion Date
Reoffering Yield 5.875% - CUSIP Number[1] – HL6

$10,685,304.00 Initial Principal Amount of Term Convertible Capital Appreciation Bonds due August 1, 2035
6.125% Accretion Rate to (but excluding) Conversion Date
August 1, 2014 Conversion Date - $12,950,000 Stated Value at Conversion Date
6.125% Interest Rate from and after Conversion Date
Reoffering Yield 6.125% - CUSIP Number[1] – HM4

$13,075,000
SERIES 2011 REFUNDING BONDS

$13,075,000 Serial Current Interest Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number[1]
2011	$1,055,000	3.000%	0.520%	HN2
2012	3,875,000	3.000	0.600	HP7
2013	2,000,000	0.800	0.800	HR3
2013	1,995,000	3.000	0.800	HQ5
2014	4,150,000	3.000	1.130	HS1

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2011 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 Series 2011 Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Series 2011 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 Series 2011 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 SERIES 2011 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 SERIES 2011 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.

MARTINEZ UNIFIED SCHOOL DISTRICT
(COUNTY OF CONTRA COSTA, CALIFORNIA)

BOARD OF EDUCATION

Vicki Gordon, *President*
Denise Elsken, *Vice President*
John L. Fuller, *Member*
Bobbi Horack, *Member*
Kathi McLaughlin, *Member*

DISTRICT ADMINISTRATORS

Rami Muth, *Superintendent*
Liz Robbins, *Chief Business Official*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP

Financial Advisor

Caldwell Flores Winters, Inc.
Emeryville, California

Paying Agent and Escrow Bank

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

Verification Agent

Causey, Demgen & Moore Inc.
Denver, Colorado

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

$24,998,562.75	**$13,075,000**
MARTINEZ UNIFIED SCHOOL DISTRICT	**MARTINEZ UNIFIED SCHOOL DISTRICT**
(COUNTY OF CONTRA COSTA, CALIFORNIA)	**(COUNTY OF CONTRA COSTA, CALIFORNIA)**
GENERAL OBLIGATION BONDS,	**GENERAL OBLIGATION REFUNDING BONDS,**
ELECTION OF 2010, SERIES 2011	**SERIES 2011**

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) $24,998,562.75 aggregate initial principal amount of Martinez Unified School District (County of Contra Costa, California) General Obligation Bonds, Election of 2010, Series 2011 (the “Series 2011 New Money Bonds”), consisting of capital appreciation bonds that convert to current interest bonds (the “Convertible Capital Appreciation Bonds”), and (ii) $13,075,000 aggregate principal amount of Martinez Unified School District (County of Contra Costa, California) General Obligation Refunding Bonds, Series 2011 (the “Series 2011 Refunding Bonds”)”), consisting of current interest bonds (the “Current Interest Bonds”), all as indicated on the inside front cover hereof, to be offered by the Martinez Unified School District (the “District”). The Series 2011 New Money Bonds and the Series 2011 Refunding Bonds are referred to collectively herein as the “Series 2011 Bonds.”

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 Series 2011 Bonds. Quotations from and summaries and explanations of the Series 2011 Bonds, the resolutions of the Board of Education of the District and the Paying Agent Agreement, dated as of May 1, 2011 (the “Paying Agent Agreement”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as paying agent, with respect to the Series 2011 Refunding Bonds, providing for the issuance of each series of the Series 2011 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 Series 2011 Bonds.

Copies of documents referred to herein and information concerning the Series 2011 Bonds are available from the District by contacting: Martinez Unified School District, 921 Susana Street, Martinez, California 94553, Attention: Superintendent. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District was unified in 1963. The District provides educational services to the residents of the City of Martinez and to an unincorporated area east of the City in which the District operates an elementary school. The District encompasses an area of approximately 25 miles and has an estimated population of 35,000. The District operates 4 elementary schools (grades K-5), one middle school (grades 6-8), one high school (grades 9-12), one alternative education and independent study school and one adult education school. Total fiscal year 2010-11 enrollment is approximately 4,051.

The District is governed by a five-member Board of Education (the "Board of Education"), each member of which is elected to a four-year term. Elections for positions to the Board of Education are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board of Education who is responsible for day to day District operations as well as the supervision of the District's other key personnel. Rami Muth is the District Superintendent and has served in this position since 2008.

The District projects fiscal year 2010-11 general fund expenditures of approximately $30.48 million dollars. As of June 30, 2010, the District employed 375 employees, consisting of 220 non-management certificated employees, 15 certificated management employees, 131 classified non-management employees, and 9 classified management employees. For additional information about the District, see APPENDIX A − "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET."

Taxable property located in the District has a 2010-11 assessed value of $5,105,379,479. Currently, a single taxpayer owns more than 29% of such assessed value. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2011 BONDS – Assessed Valuation of Property Within District – Largest Taxpayers in District."

THE SERIES 2011 BONDS

Authority for Issuance; Purpose

Series 2011 New Money Bonds. The Series 2011 New Money Bonds are issued under the provisions of Article 4.5 of Chapter 3, of Part 1 of Division 2 of Title 5 of the Government Code, and other applicable provisions of law, including the applicable provisions of the California Education Code and Article XIIIA of the California Constitution. The Series 2011 New Money Bonds are authorized to be issued by a resolution adopted by the Board of Education of the District on April 11, 2011.

At an election held on November 2, 2010, the District received authorization to issue bonds of the District in an aggregate principal amount not to exceed $45,000,000 to finance specific school facility construction, repair and improvement projects (the "2010 Authorization"). The measure required approval by at least 55% of the votes cast by eligible voters within the District and received an approval vote of approximately 65.52%. The Series 2011 New Money Bonds represent the first series of the authorized bonds to be issued under the 2010 Authorization and will be issued to finance authorized projects.

Series 2011 Refunding Bonds. The Series 2011 Refunding Bonds are issued pursuant to provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and other applicable law, a resolution adopted by the Board of Education of the District on April 11, 2011, providing for the issuance of the Series 2011 Refunding Bonds and the Paying Agent Agreement. Proceeds from the Series 2011 Refunding Bonds will be used for the purpose of refunding (i) all of the District's outstanding Martinez Unified School District General Obligation Bonds, Election of 1995, Series 1997 (the "Series 1997 Bonds"), originally issued in an aggregate principal amount of $8,250,000 and currently outstanding in the aggregate principal amount of $2,590,000, (ii) all of the District's outstanding Martinez Unified School District General Obligation Bonds, Election of 1995, Series 1998 (the "Series 1998 Bonds"), originally issued in an aggregate principal amount of $2,750,000 and currently outstanding in the aggregate principal amount of $880,000, and (iii) a portion of the District's outstanding Martinez Unified School District 2001 General Obligation Refunding Bonds (the "Series 2001 Refunding Bonds"), originally issued in an aggregate principal amount of $30,045,000 and currently outstanding in the aggregate principal amount of $13,660,000. See " − Application and Investment of Series 2011 Bond Proceeds" below.

Form and Registration

Each series of the Series 2011 Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 principal amount or accreted value at their Conversion Date, as applicable, or integral multiples thereof. Each series of the Series 2011 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 Series 2011 Bonds. Purchases of Series 2011 Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Series 2011 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 Series 2011 Bonds, beneficial owners ("Beneficial Owners") will not receive physical certificates representing their ownership interests. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

The Series 2011 New Money Bonds will be issued as Convertible Capital Appreciation Bonds as set forth on the inside front cover hereof. The Series 2011 Refunding Bonds will be issued as Current Interest Bonds as set forth on the inside cover hereof.

Interest; Convertible Capital Appreciation Bonds. The Convertible Capital Appreciation Bonds will be dated as of their date of delivery. The Convertible Capital Appreciation Bonds will initially constitute capital appreciation bonds and will convert to current interest bonds on their respective conversion dates as set forth on the inside front cover hereof (each a "Conversion Date"). Prior to the Conversion Date thereof, the Convertible Capital Appreciation Bonds will not bear interest on a periodic basis; instead, each Convertible Capital Appreciation Bond will accrete in value daily from its initial principal amount on the date of issuance thereof (as stated on the inside front cover page of this Official Statement) to its stated accreted value at the Conversion Date thereof (on the basis of a 360-day year consisting of twelve 30-day months), as stated on the inside front cover page of this Official Statement, on the basis of a constant interest rate compounded semiannually on February 1 and August 1 of each year (each, an "Interest Date") (with straight-line interpolations between Interest Dates), commencing on August 1, 2011.

From and after the Conversion Date of a Convertible Capital Appreciation Bond, such Convertible Capital Appreciation Bond will bear current interest on the accreted value thereof at the rate applicable thereto set forth on the inside front cover page of this Official Statement, payable on each Interest Date, commencing on the February 1 or August 1 immediately following such Conversion Date, computed using a year of 360 days, comprising twelve 30-day months. Following the Conversion Date thereof, each Convertible Capital Appreciation Bond will bear interest from the Interest Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Date (the "Record Date") and on or prior to the succeeding Interest Date, in which event it shall bear interest from such Interest Date, or unless it is authenticated on or before the Record Date preceding the first Interest Date following its Conversion Date, in which event it will bear interest from its Conversion Date; provided, however, that if, at the time of authentication of any Convertible Capital Appreciation Bond, interest is in default on any outstanding Convertible Capital Appreciation Bonds, such Convertible Capital Appreciation Bond shall bear interest from the Interest Date to which interest has previously been paid or made available for payment on the outstanding Convertible Capital Appreciation Bonds.

Accreted Values. The rate of interest at which a Convertible Capital Appreciation Bond's stated accreted value at the Conversion Date thereof is discounted to its initial principal amount is known as the "Accretion Rate," and is stated on the inside front cover hereof. For any Convertible Capital Appreciation Bond, the value of principal plus accrued interest on any given Interest Date prior to the Conversion Date thereof may be calculated by discounting the stated accreted value at the Conversion Date of the Convertible Capital Appreciation Bond from its Conversion 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 Tables of Accreted Values shown in Appendix G hereto, in order to provide the value per $5,000 of accreted value at the Conversion Date for each Convertible Capital Appreciation Bond on each Interest Date prior to the Conversion Date thereof.

Interest; Current Interest Bonds. The Series 2011 Refunding 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 each Interest Date, commencing on August 1, 2011, computed using a year of 360 days, comprising twelve 30-day months. Each Current Interest Bond shall bear interest from the Interest Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on a Record Date and on or prior to the succeeding Interest Date, in which event it shall bear interest from such Interest Date, or unless it is authenticated on or before the Record Date preceding the first Interest Date, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Current Interest Bond, interest is in default on any outstanding Current Interest Bonds, such Current Interest Bond shall bear interest from the Interest Date to which interest has previously been paid or made available for payment on the outstanding Current Interest Bonds.

Payment of Series 2011 Bonds. The principal and accreted value of the Series 2011 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 and the Convertible Capital Appreciation Bonds after the Conversion Date 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 or Convertible Capital Appreciation Bonds after the Conversion Date 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 Series 2011 Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption of Series 2011 New Money Bonds. The Series 2011 New Money Bonds maturing on or before August 1, 2021, are not subject to redemption prior to their respective stated maturity dates. The Series 2011 New Money Bonds maturing on and after August 1, 2026, 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, 2024, at a redemption price equal to the stated accreted value at the Conversion Date of the Series 2011 New Money Bonds called for redemption, together with interest accrued thereon from the last Interest Date for which interest has been paid to the date of redemption, without premium.

Mandatory Sinking Fund Redemption of Series 2011 New Money Bonds. The $4,361,894.15 (initial principal amount) term Series 2011 New Money Bonds maturing on August 1, 2026, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective stated accreted value amounts at the Conversion Date thereof as set forth in the following schedule, at a redemption price equal to 100% of the stated accreted value amount to be redeemed (without premium), together with interest accrued thereon from the last Interest Date for which interest has been paid to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (August 1)	Stated Accreted Value Amounts to be Redeemed
2022	$ 740,000
2023	875,000
2024	1,020,000
2025	1,180,000
2026†	1,350,000

† Maturity.

The stated accreted value amounts at the Conversion Date thereof 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 2011 New Money Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

The $8,240,462.30 (initial principal amount) term Series 2011 New Money Bonds maturing on August 1, 2031, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective stated accreted value amounts at the Conversion Date thereof as set forth in the following schedule, at a redemption price equal to 100% of the stated accreted value amount to be redeemed (without premium), together with interest accrued thereon from the last Interest Date for which interest has been paid to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (August 1)	Stated Accreted Value Amounts to be Redeemed
2027	$1,535,000
2028	1,740,000
2029	1,965,000
2030	2,205,000
2031†	2,465,000

† Maturity.

The stated accreted value amounts at the Conversion Date thereof 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 2011 New Money Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

The $10,685,304.00 (initial principal amount) term Series 2011 New Money Bonds maturing on August 1, 2035, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective stated accreted value amounts at the Conversion Date thereof as set forth in the following schedule, at a redemption price equal to 100% of the stated accreted value amount to be redeemed (without premium), together with interest accrued thereon from the last Interest Date for which interest has been paid to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (August 1)	Stated Accreted Value Amounts to be Redeemed
2032	$2,750,000
2033	3,055,000
2034	3,390,000
2035†	3,755,000

† Maturity.

The stated accreted value amounts at the Conversion Date thereof 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 2011 New Money Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

No Redemption of Series 2011 Refunding Bonds. The Series 2011 Refunding Bonds are not subject to redemption prior to their respective stated maturity dates.

Selection of Series 2011 Bonds for Redemption. If less than all of the Series 2011 New Money Bonds are called for redemption, Series 2011 New Money Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Series 2011 New Money Bonds of any one maturity are designated for redemption, the paying agent shall select the outstanding Series 2011 New Money Bonds of such maturity to be redeemed by lot in any manner deemed fair by the paying agent. For purposes of such selection, each Series 2011 New Money Bond shall be deemed to consist of individual Series 2011 New Money Bonds of denominations of $5,000 principal amount or accreted value at the Conversion Date thereof, as applicable, each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Series 2011 New Money 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 Series 2011 New Money Bonds and the date of issue of the Series 2011 New Money Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Series 2011 New Money Bonds to be redeemed; (vi) if less than all of the Series 2011 New Money Bonds of any maturity are to be redeemed, the distinctive numbers of the Series 2011 New Money Bonds of each maturity to be redeemed; (vii) in the case of Series 2011 New Money Bonds redeemed in part only, the respective portions of the principal amount of the Series 2011 New Money Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series 2011 New Money Bonds to be redeemed; (ix) a statement that such Series 2011 New Money Bonds must be surrendered by the Owners at the principal corporate trust office of the paying agent, or at such other place or places designated by the paying agent; (x) notice that further interest on such Series 2011 New Money Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. The actual receipt by the Owner of any Series 2011 New Money Bond or by any securities depository or information service 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 Series 2011 New Money 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 Series 2011 New Money Bonds called for redemption is set aside, the Series 2011 New Money 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 Series 2011 New Money Bonds at the place specified in the notice of redemption, such Series 2011 New Money Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2011 New Money Bonds so called for redemption after such redemption date shall look for the payment of such Series 2011 New Money Bonds and the redemption premium thereon, if any, only to moneys on deposit for the purpose in the interest and sinking fund of the District within the County treasury (the "Interest and Sinking Fund") or the trust fund established for such purpose. All Series 2011 New Money 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 Series 2011 New Money 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 Series 2011 New Money 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 Series 2011 New Money 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 Series 2011 Bonds

The District may pay and discharge any or all of any series of the Series 2011 Bonds by depositing in trust with the paying agent for such series 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 Series 2011 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 Series 2011 Bonds and remaining unclaimed for two years after the principal of all of such series of Series 2011 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 Series 2011 Bond Proceeds

Series 2011 New Money Bonds. The proceeds from the sale of the Series 2011 New Money 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 Series 2011 New Money Bonds were authorized. Any premium or accrued interest on the Series 2011 New Money Bonds 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-Tax Collector of the County (the "County Treasurer") in the Building Fund and the Interest and Sinking 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 CONTRA COSTA COUNTY INVESTMENT POLICY." In addition, to the extent permitted by law, the District may request that all or any portion of the funds held in the Building Fund may be invested in the Local Agency Investment Fund in the treasury of the State, or in investment agreements, including guaranteed investment contracts, float contracts or other investment products which will not adversely affect the rating on the Series 2011 New Money Bonds. 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.

Series 2011 Refunding Bonds. The proceeds of the Series 2011 Refunding Bonds will be used to advance refund and defease (i) the outstanding Series 1997 Bonds, maturing in years 2011 through 2014 (the "Prior Series 1997 Bonds"), (ii) the outstanding Series 1998 Bonds, maturing in years 2011 through 2014, (the "Prior Series 1998 Bonds"), (iii) the outstanding Series 2001 Bonds, maturing in years 2012 through 2014 (the "Prior Series 2001 Bonds" and, together with the Prior Series 1997 Bonds and Prior Series 1998 Bonds, the "Prior Bonds"), and (iv) to pay certain costs of issuance of the Series 2011 Refunding Bonds.

The District and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank") will enter into the Escrow Agreement, dated as of May 1, 2011 (the "Escrow Agreement"), with respect to the Prior Bonds being refunded, pursuant to which the District will deposit a portion of the proceeds from the sale of the Series 2011 Refunding Bonds into a special fund to be held by the Escrow Bank. The amount deposited (which will be held uninvested) will be sufficient to enable the Escrow Bank to pay the principal of and interest due on the Prior Bonds being refunded to the first optional redemption date (June 24, 2011, with respect to the Prior Series 1997 Bonds; June 24, 2011, with respect to the Prior Series 1998 Bonds; and August 1, 2011, with respect to the Prior Series 2001 Bonds) and to redeem such Prior Bonds at a redemption price equal to 100% of the principal amount of such Prior Series 1997 Bonds, 100% of the principal amount of such Prior Series 1998 Bonds and 101% of the principal amount of such Prior Series 2001 Bonds being refunded on the applicable redemption date in accordance with the schedule set forth in the Escrow Agreement. See "ESCROW VERIFICATION" herein.

Estimated Sources and Uses of Funds

The proceeds of each series of the Series 2011 Bonds are expected to be applied as follows:

MARTINEZ UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
General Obligation Bonds, Election of 2010, Series 2011

Estimated Sources and Uses of Funds

	Series 2011 New Money Bonds
Sources of Funds:	
Principal Amount of Series 2011 New Money Bonds	$24,998,562.75
Plus Original Issue Premium	376,777.55
Total Sources of Funds	$25,375,340.30
Uses of Funds:	
Deposit to Building Fund	$24,998,562.75
Costs of Issuance[1]	260,534.23
Underwriter's Discount[2]	116,243.32
Total Uses of Funds	$25,375,340.30

[1] Includes bond counsel fees, disclosure counsel fees, financial advisor and rating agency fees, printing fees and other miscellaneous expenses the Underwriter has contracted to pay.
[2] Exclusive of costs of issuance the Underwriter has contracted to pay.

MARTINEZ UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
General Obligation Refunding Bonds, Series 2011

Estimated Sources and Uses of Funds

	Series 2011 Refunding Bonds
Sources of Funds:	
Principal Amount of Series 2011 Refunding Bonds	$13,075,000.00
Plus Original Issue Premium	451,567.40
Other Available Funds	1,405,225.05
Total Sources of Funds	$14,931,792.45
Uses of Funds:	
Escrow Fund	$14,792,244.85
Costs of Issuance[1]	78,748.85
Underwriter's Discount	60,798.75
Total Uses of Funds	$14,931,792.45

[1] Includes bond counsel fees, disclosure counsel fees, District counsel fees, financial advisor and rating agency fees, printing fees and other miscellaneous expenses.

Debt Service

Debt service on the Series 2011 Bonds, assuming no early redemptions, is as shown in the following table.

MARTINEZ UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
General Obligation Bonds, Election of 2010, Series 2011

	Series 2011 New Money Bonds Convertible Capital Appreciation Bonds		Series 2011 Refunding Bonds Current Interest Bonds		
Period Ending	Principal	Interest including Interest Paid at Maturity	Principal	Interest	Total Debt Service
8/1/2011			$ 1,055,000	$ 64,813.19	$ 1,119,813.19
8/1/2012			3,875,000	316,600.00	4,191,600.00
8/1/2013			3,995,000	200,350.00	4,195,350.00
8/1/2014			4,150,000	124,500.00	4,274,500.00
8/1/2015	$ 53,015.30	$ 1,802,259.70			1,855,275.00
8/1/2016	85,640.10	1,805,409.90			1,891,050.00
8/1/2017	150,889.70	1,813,335.30			1,964,225.00
8/1/2018	228,373.60	1,818,826.40			2,047,200.00
8/1/2019	305,857.50	1,818,142.50			2,124,000.00
8/1/2020	395,575.70	1,814,049.30			2,209,625.00
8/1/2021	491,550.40	1,806,549.60			2,298,100.00
8/1/2022	624,937.40	1,768,081.36			2,393,018.76
8/1/2023	738,946.25	1,749,297.51			2,488,243.76
8/1/2024	861,400.20	1,724,812.30			2,586,212.50
8/1/2025	996,521.80	1,694,865.70			2,691,387.50
8/1/2026	1,140,088.50	1,657,874.00			2,797,962.50
8/1/2027	1,276,398.55	1,634,001.45			2,910,400.00
8/1/2028	1,446,862.20	1,578,356.56			3,025,218.76
8/1/2029	1,633,956.45	1,514,037.31			3,147,993.76
8/1/2030	1,833,523.65	1,439,026.35			3,272,550.00
8/1/2031	2,049,721.45	1,353,284.81			3,403,006.26
8/1/2032	2,269,080.00	1,274,107.50			3,543,187.50
8/1/2033	2,520,741.60	1,159,008.40			3,679,750.00
8/1/2034	2,797,156.80	1,030,474.46			3,827,631.26
8/1/2035	3,098,325.60	886,668.16			3,984,993.76
	$24,998,562.75	$33,142,468.57	$13,075,000.00	$706,263.19	$71,922,294.51

Outstanding Bonds

In addition to each series of the Series 2011 Bonds, the District has outstanding three 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 June 6, 1995, to issue bonds of the District in an aggregate principal amount not to exceed $23,000,000 to finance specific construction and modernization projects approved by the voters (the “1995 Authorization”). On August 8, 1995, the Martinez Unified School District General Obligation Bonds, Election of 1995, Series 1995 (the “Series 1995 Bonds”), in an aggregate initial principal amount of $11,999,913.75, were issued as the first series of bonds to be issued under the 1995 Authorization. On August 20, 1997, the Series 1997 Bonds were issued as the second series of bonds to be issued under the 1995 Authorization. On October 7, 1998, the Series 1998 Bonds were issued as the third and final series of bonds to be issued under the 1995 Authorization. On May 31, 2001, the Series 2001 Refunding Bonds were issued to refund the outstanding Martinez Unified School District 1992 Refunding General Obligation Bonds, which matured on August 1, 2001 through August 1, 2014, inclusive, and a portion of the callable Series 1995 Bonds. A summary of the District’s general obligation bonded debt is set forth below.

Aggregate Debt Service

Debt service on each series of the District's outstanding bonds, including each series of the Series 2011 Bonds, assuming no early redemptions, is as shown in the following table.

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

Period Ending August 1,	Series 2001 Refunding Bonds	Series 2011 New Money Bonds	Series 2011 Refunding Bonds	Aggregate Total Debt Service
2011	$2,854,800		$ 1,119,813.19	$ 3,974,613.19
2012	-		4,191,600.00	4,191,600.00
2013	-		4,195,350.00	4,195,350.00
2014	-		4,274,500.00	4,274,500.00
2015	-	$ 1,855,275.00		1,855,275.00
2016	-	1,891,050.00		1,891,050.00
2017	-	1,964,225.00		1,964,225.00
2018	-	2,047,200.00		2,047,200.00
2019	-	2,124,000.00		2,124,000.00
2020	-	2,209,625.00		2,209,625.00
2021	-	2,298,100.00		2,298,100.00
2022	-	2,393,018.76		2,393,018.76
2023	-	2,488,243.76		2,488,243.76
2024	-	2,586,212.50		2,586,212.50
2025	-	2,691,387.50		2,691,387.50
2026	-	2,797,962.50		2,797,962.50
2027	-	2,910,400.00		2,910,400.00
2028	-	3,025,218.76		3,025,218.76
2029	-	3,147,993.76		3,147,993.76
2030	-	3,272,550.00		3,272,550.00
2031	-	3,403,006.26		3,403,006.26
2032	-	3,543,187.50		3,543,187.50
2033	-	3,679,750.00		3,679,750.00
2034	-	3,827,631.26		3,827,631.26
2035	-	3,984,993.76		3,984,993.76
Total:	$2,854,800	58,141,031.32	$13,781,263.19	$74,777,094.51

(1) Assumes the Prior Bonds are refunded with proceeds of the Series 2011 Refunding Bonds.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2011 BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on each series of the Series 2011 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 2010-11 assessed value of $5,105,379,479. 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.

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

MARTINEZ UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Assessed Valuations
Fiscal Years 2006-07 through 2010-11

Fiscal Year	Local Secured	Utility	Unsecured	Total
2006-07	$5,114,049,169	$2,200,340	$171,771,564	$5,288,021,073
2007-08	5,717,397,202	100,000	182,542,704	5,900,039,906
2008-09	5,617,100,201	100,000	191,673,422	5,808,873,623
2009-10	5,473,969,280	75,000	200,628,578	5,674,672,858
2010-11	4,899,561,805	75,000	205,742,674	5,105,379,479

Source: California Municipal Statistics, Inc.

Currently, a single taxpayer owns more than 29% of the fiscal year 2010-11 assessed value of taxable property within the District. See "– Largest Taxpayers in District" below.

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.

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

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

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

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

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT

REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Bonding Capacity. As a unified school district, the District may issue bonds in an amount up to 2.50% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2010-11 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $127.6 million and its net bonding capacity is approximately $110.5 million (taking into account current outstanding debt before issuance of the Series 2011 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 2010-11 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

MARTINEZ UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Assessed Valuation and Parcels by Land Use

Non-Residential:	2010-11 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Agricultural/Rural	$141,869,902	2.90%	299	2.67%
Commercial	248,394,991	5.07	285	2.55
Vacant Commercial	6,862,698	0.14	42	0.38
Industrial	1,817,916,203	37.10	108	0.97
Vacant Industrial	13,827,654	0.28	40	0.36
Recreational	2,897,343	0.06	3	0.03
Government/Social/Industrial	15,096,197	0.31	375	3.35
Miscellaneous	6,413,414	0.13	155	1.39
Subtotal Non-Residential	$2,253,278,402	45.99%	1,307	11.68%
Residential:				
Single Family Residence	$2,317,571,028	47.30%	8,307	74.23%
Condominium/Townhouse	100,947,949	2.06	614	5.49
2-4 Residential Units	88,439,521	1.81	349	3.12
5+ Residential Units	95,344,117	1.95	75	0.67
Vacant Residential	43,980,788	0.90	539	4.82
Subtotal Residential	$2,646,283,403	54.01%	9,884	80.32%
TOTAL	$4,899,561,805	100.00%	11,191	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 2010–11.

MARTINEZ UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Per Parcel Assessed Valuation of Single Family Homes

	No. of Parcels	2010-11 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	8,307	$2,317,571,028	$278,990	$233,708

2010-11 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	27	0.325%	0.325%	$559,241	0.024%	0.024%
$25,000 - $49,999	496	5.971	6.296	19,962,657	0.861	0.885
$50,000 - $74,999	537	6.464	12.760	32,817,287	1.416	2.302
$75,000 - $99,999	362	4.358	17.118	31,709,552	1.368	3.670
$100,000 - $124,999	383	4.611	21.729	43,112,313	1.860	5.530
$125,000 - $149,999	459	5.525	27.254	63,200,931	2.727	8.257
$150,000 - $174,999	543	6.537	33.791	87,762,338	3.787	12.044
$175,000 - $199,999	515	6.200	39.990	96,704,259	4.173	16.216
$200,000 - $224,999	595	7.163	47.153	126,164,599	5.444	21.660
$225,000 - $249,999	614	7.391	54.544	144,972,435	6.255	27.916
$250,000 - $274,999	359	4.322	58.866	94,055,981	4.058	31.974
$275,000 - $299,999	360	4.334	63.200	103,617,961	4.471	36.445
$300,000 - $324,999	378	4.550	67.750	117,780,541	5.082	41.527
$325,000 - $349,999	431	5.188	72.938	145,325,297	6.271	47.798
$350,000 - $374,999	324	3.900	76.839	117,429,129	5.067	52.865
$375,000 - $399,999	336	4.045	80.884	130,095,179	5.613	58.478
$400,000 - $424,999	302	3.635	84.519	124,549,074	5.374	63.852
$425,000 - $449,999	224	2.697	87.216	98,055,705	4.231	68.083
$450,000 - $474,999	114	1.372	88.588	52,589,712	2.269	70.352
$475,000 - $499,999	83	0.999	89.587	40,220,333	1.735	72.088
$500,000 and greater	865	10.413	100.000	646,886,504	27.912	100.000%
Total	8,307	100.000%		$2,317,571,028	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Source: California Municipal Statistics, Inc.

Largest Taxpayers in District. The twenty taxpayers with the greatest combined ownership of taxable property in the District on the 2010-11 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

MARTINEZ UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Largest 2010-11 Local Secured Taxpayers

	Property Owner	Primary Land Use	2010-11 Assessed Valuation	Percent of Total[1]
1.	Equilon Enterprises LLC	Heavy Industrial	$1,461,905,031	29.84%
2.	Pacific Atlantic Terminals LLC	Heavy Industrial	138,307,100	2.82
3.	Tesoro Refining & Marketing Co.	Heavy Industrial	41,272,227	0.84
4.	Stauffer Chemical Company	Heavy Industrial	27,381,092	0.56
5.	Shell Chemical LP	Heavy Industrial	25,752,480	0.53
6.	Wal-Mart Real Estate Business Trust	Commercial	19,656,424	0.40
7.	Kenneth H. and Martha Hofmann	Office Building	19,158,168	0.39
8.	Muir Station Center LLC	Shopping Center	18,897,658	0.39
9.	Collier Village Oaks LLC	Shopping Center	18,831,897	0.38
10.	Muirwood Square Investors	Apartments	18,420,220	0.38
11.	O'Brien at Pacheco LLC	Residential Development	15,230,077	0.31
12.	The Center-Martinez	Light Industrial	12,395,505	0.25
13.	Balco Properties Ltd.	Light Industrial	11,746,906	0.24
14.	Browning Ferris Industries	Light Industrial	11,552,748	0.24
15.	Wickland Oil Company	Industrial Park	10,860,978	0.22
16.	BLAI LP	Apartments	10,031,352	0.20
17.	David W. White	Light Industrial	9,785,000	0.20
18.	Shurgard Storage Centers Inc.	Mini Warehouse	8,750,096	0.18
19.	Opal Investments LLC	Hotel/Motel	8,259,378	0.17
20.	Earl D. & Joanne Dunivan	Commercial	7,104,534	0.15
			$1,895,298,868	38.68%

[1] 2010-11 Local Secured Assessed Valuation: $4,899,561,805
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and ability or willingness to pay property taxes. As shown above, a single taxpayer owned more than 29% of the total taxable property in the District. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control. See "Assessed Valuation of Property Within the District − Appeals of Assessed Valuation; Blanket Reductions of Assessed Values" above.

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 Series 2011 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 Series 2011 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 Series 2011 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 5-000) over the five year period from 2006-07 through 2010-11. This Tax Rate Area comprises approximately 27.30% of the total assessed value of the District.

MARTINEZ UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Typical Total Tax Rates per $100 of Assessed Valuation (TRA 5-000)
Fiscal Years 2006-2007 Through 2010-11

	2006-07	2007-08	2008-09	2009-10	2010-11
General Tax Rate	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
City of Martinez	-	-	-	.0181	.0347
Bay Area Rapid Transit District	.0050	.0076	.0090	.0057	.0031
East Bay Regional Park District	.0085	.0080	.0100	.0108	.0084
Martinez Unified School District	.0794	.0557	.0597	.0619	.0629
Contra Costa Community College District	.0043	.0108	.0066	.0126	.0133
Total All Property Tax Rate	1.0972	1.0821	1.0853	1.1091	1.1224
Total Land Only Tax Rate	.0043	.0039	.0041	.0048	.0041

Source: California Municipal Statistics, Inc.

In accordance with the law which permitted the Series 2011 New Money Bonds to be approved by a 55% popular vote, bonds approved by the District's voters at the November 2, 2010 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 Series 2011 New Money Bonds, the District projects that the maximum tax rate required to repay the Series New Money 2011 Bonds and all other outstanding bonds approved at the November 2, 2010 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 Series 2011 New Money 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 Series 2011 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 $23 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 corresponding delinquencies with respect to property located in the District for the fiscal years 2005-06 through 2009-10.

MARTINEZ UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2005-2006 Through 2009-10

	Secured Tax Charge [1]	Amount Delinquent June 30	% Delinquent June 30
2005-06	$13,793,826.12	$259,839.83	1.88%
2006-07	14,687,963.95	499,184.41	3.40
2007-08	16,499,775.28	790,702.45	4.79
2008-09	16,027,813.48	640,309.99	3.99
2009-10	15,606,487.68	417,732.57	2.68

	Secured Tax Charge [2]	Amount Delinquent June 30	% Delinquent June 30
2005-06	$4,299,165.75	$46,986.50	1.09%
2006-07	4,017,548.74	73,923.66	1.84
2007-08	3,193,728.94	81,347.67	2.55
2008-09	3,313,688.85	78,209.98	2.36
2009-10	3,353,714.34	62,863.36	1.87

(1) 1% General Fund apportionment.
(2) Bond debt service levy only.
Source: California Municipal Statistics, Inc.

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

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

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. and effective March 1, 2011, for debt issued as of March 7, 2011. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

MARTINEZ UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Statement Of Direct And Overlapping Bonded Debt
As of March 7, 2011

2010-11 Assessed Valuation: $5,105,379,479

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 3/1/11
Contra Costa Community College District	4.091%	$ 9,699,556
Martinez Unified School District	100.000	17,130,000[1]
Bay Area Rapid Transit District	1.173	4,854,636
City of Martinez	63.644	9,330,210
East Bay Regional Park District	1.818	3,072,875
Pleasant Hill Recreation and Park District	0.192	38,400
Contra Costa County Reassessment District of 2001	22.255	555,262
City of Martinez 1915 Act Bonds	100.000	730,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$45,410,939
OVERLAPPING GENERAL FUND DEBT:		
Contra Costa County General Fund Obligations	4.074%	$13,684,131
Contra Costa County Pension Obligations	4.074	17,734,529
Contra Costa Community College District Certificates of Participation	4.091	40,501
Contra Costa Fire Protection District Pension Obligations	9.082	10,556,917
City of Martinez Certificates of Participation	63.644	467,783
Pleasant Hill Recreation and Park District Certificates of Participation	0.192	4,589
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$42,488,450
Less: Contra Costa County General Fund Obligations supported by revenue funds		5,135,780
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$37,352,670
GROSS COMBINED TOTAL DEBT		$87,899,389[2]
NET COMBINED TOTAL DEBT		$82,763,609

(1) Excludes Series 2011 Bonds, but includes the Prior Bonds to be refunded.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2010-11 Assessed Valuation:
Direct Debt ($17,130,000).. 0.34%
Total Direct and Overlapping Tax and Assessment Debt .. 0.89%
Gross Combined Total Debt 1.72%
Net Combined Total Debt.. 1.62%

STATE SCHOOL BUILDING AID REPAYMENT AS OF 6/30/10: $0

Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based on 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 2011 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 2011 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Complete copies of the proposed forms of opinions of Bond Counsel are set forth in APPENDIX C – "PROPOSED FORMS OF OPINIONS OF BOND COUNSEL."

To the extent the issue price of any maturity of the Series 2011 Bonds is less than the amount to be paid at maturity of such Series 2011 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2011 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 2011 Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2011 Bonds is the first price at which a substantial amount of such maturity of the Series 2011 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 2011 Bonds accrues daily over the term to maturity of such Series 2011 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 2011 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2011 Bonds. Beneficial Owners of the Series 2011 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2011 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2011 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2011 Bonds is sold to the public.

Series 2011 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2011 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 2011 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 2011 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2011 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 2011 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2011 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2011 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 2011 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, clarification of the Code or court decisions may cause interest on the Series 2011 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, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2011 Bonds. Prospective purchasers of the Series 2011 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 2011 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 2011 Bonds ends with the issuance of the Series 2011 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 2011 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 2011 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 2011 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

OTHER LEGAL MATTERS

Legal Opinion

The validity of each series of the Series 2011 Bonds and certain other legal matters are subject to the approving opinions of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to each series of the Series 2011 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. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of each series of the Series 2011 Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than 290 days following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2010-11 fiscal year (which is due no later than April 15, 2012) and notice of the occurrence of certain enumerated events ("Notice Events") in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX 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"). For the preceding five years, the District has failed to file complete annual reports with respect to its previous undertakings with regard to said Rule relating to the Series 1997 Bonds, the Series 1998 Bonds and the Series 2001 Refunding Bonds. However, the District has now filed such reports with respect to such previous undertakings with regard to said Rule.

Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series 2011 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 Series 2011 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 County officers who will execute the Series 2011 Bonds or District or County officials who will sign certifications relating to the Series 2011 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 Series 2011 Bonds.

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

ESCROW VERIFICATION

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

MISCELLANEOUS

Ratings

Moody's Investors Service ("Moody's") and Standard & Poor's Rating Services ("S&P") have assigned their respective ratings of "Aa3" and "AA-" to the Series 2011 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 Series 2011 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 Series 2011 Bonds. Neither the Underwriter nor the District has undertaken any responsibility after the offering of the Series 2011 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 the Series 2011 Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Series 2011 Bonds. Caldwell Flores Winters, Inc., Emeryville, California, is acting as financial advisor to the District. The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, is acting as paying agent.

Underwriting

The Series 2011 New Money Bonds are being purchased for reoffering to the public by Piper Jaffray & Co. (the "Underwriter") pursuant to the terms of a bond purchase contract executed on May 10, 2011, by and between the Underwriter and the District (the "New Money Purchase Contract"). The Underwriter has agreed to purchase the Series 2011 New Money Bonds at a price of $24,998,562.75. The Purchase Contract provides that the Underwriter will purchase all of the Series 2011 New Money Bonds, subject to certain terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel.

The Series 2011 Refunding Bonds are being purchased for reoffering to the public by the Underwriter pursuant to the terms of a bond purchase contract executed on May 10, 2011, by and between the Underwriter and the District (the "Refunding Purchase Contract"). The Underwriter has agreed to purchase the Series 2011 Refunding Bonds at a price of $13,465,768.65. The Refunding Purchase Contract provides that the Underwriter will purchase all of the Series 2011 Refunding Bonds, subject to certain terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Series 2011 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 Underwriter has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings, including the Series 2011 Bonds, allocated to the Underwriter at the original offering prices. Under the Distribution Agreement, the Underwriter will share with AAM a portion of the fee or commission, exclusive of management fees, paid to the Underwriter.

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

MARTINEZ UNIFIED SCHOOL DISTRICT

By: /s/ Rami Muth
Superintendent

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this appendix concerning the operations of the Martinez 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 Series 2011 Bonds is payable from the General Fund of the District or from State revenues. Each series of the Series 2011 Bonds is 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 Series 2011 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2011 BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District was unified in 1963. The District provides educational services to the residents of the City of Martinez and to an unincorporated area east of the City in which the District operates an elementary school. The District encompasses an area of approximately 25 miles and has an estimated population of 35,000. The District operates 4 elementary schools (grades K-5), one middle school (grades 6-8), one high school (grades 9-12), one alternative education and independent study school and one adult education school. Total fiscal year 2010-11 enrollment is approximately 4,051.

The District is governed by a five-member Board of Education (the "Board of Education"), each member of which is elected to a four-year term. Elections for positions to the Board of Education are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board of Education who is responsible for day to day District operations as well as the supervision of the District's other key personnel. Rami Muth is the District Superintendent and has served in this position since 2008.

Board of Education

Current members of the Board, together with their office and the date their term expires, are listed below:

MARTINEZ UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)

Board of Education

Name	Office	Term Expires
Vicki Gordon	President	December 2014
Denise Elsken	Vice President	December 2012
John L. Fuller	Member	December 2012
Bobbi Horack	Member	December 2014
Kathi McLaughlin	Member	December 2012

Superintendent and Financial and Fiscal 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.

Rami Muth, Superintendent. Superintendent Muth began her first year of teaching in Benicia Unified School District in 1973 after completing her bachelor of arts at California State University, Long Beach. After gaining her administrative credential, Ms. Muth became a principal in Fairfield Suisun Unified School District in 1999. In addition to serving as principal, Superintendent Muth worked within Fairfield Suisun Unified School District as the Director of GATE and Secondary Literacy. She joined the District in 2006 as Director of Curriculum of Instruction and became Superintendent of the District in 2008.

Liz Robbins, Chief Business Official. After many years in private sector accounting, Ms. Robbins worked first in Pittsburg Unified School District before becoming Business Manager in Knightsen Elementary School District in 2006. She joined the District as Chief Business Official in 2008.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution. In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District receives approximately 30% of its general fund revenues from State funds, budgeted at approximately $9.5 million in fiscal year 2010-11. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

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

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the Legislature for passage. However, on November 2, 2010, the State's voters approved Proposition 25, which amends the State Constitution to lower the vote requirement necessary for each house of the Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two–thirds to a simple majority (50% plus one) of each house of the Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two–thirds vote of the Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the 2010-11 Budget on October 8, 2010, the latest budget approval in State history.

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 v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

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

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

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005 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 from one fiscal year to the next; by permanently deferring the year-end apportionment from June 30 to July 2; by suspending Proposition 98; and by proposing to amend the Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Series 2011 Bonds, and the District takes no responsibility for informing owners of the Series 2011 Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, **www.dof.ca.gov**, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at **www.lao.ca.gov**. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, **www.treasurer.ca.gov**. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Legal Challenge to State Funding Education. On May 20, 2010, a plaintiff class of numerous current California public school students and the Alameda Unified School District, the Alpine Union School District, the Norte County Unified School District, the Folsom Cordova Unified School District, the Hemet Unified School District, the Porterville Unified School District, the Riverside Unified School District, the San Francisco Unified School District and the Santa Ana Unified School District, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In *Robles-Wong, et al. v. State of California* ("*Robles-Wong*"), the plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school funding and replace it with a system that is based on what is needed to meet the State's program requirements and the needs of individual students. The District cannot predict the outcome of the *Robles-Wong* litigation, however, if successful, the lawsuit could result in a change in how school funding of education is implemented in the State.

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

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

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

2010-11 State Budget. The following information is adapted from a report on the adopted State budget prepared by the Legislative Analyst. The State's fiscal year 2010-11 budget projects $89 billion of resources available, and $86 billion of expenditures, with an ending general fund balance of $1.3 billion. To achieve balance, the state budget includes $7.8 billion in expenditure cuts, including a reduction of $1.8 billion in State employee payroll, benefit and related costs, primarily derived from future union agreements or other administrative actions, $450 million in savings from reduced general fund departmental hiring, and $130 million in savings from reduced departmental operating costs related to the workforce cap. The budget also assumes the State will receive $5.4 billion of new federal funding (most of which has yet to be approved by Congress), assumes $3.3 billion of increased revenue, including $1.4 billion in higher assumed baseline State revenues, and assumes the State will be authorized and able to make $2.7 billion of largely one-time loans, transfers and funding shifts.

The spending cuts described above include a $3.4 billion reduction in education costs due to suspension of the Proposition 98 minimum guarantee. Despite suspension of Proposition 98, ongoing Proposition 98 funding is budgeted to increase $115 million from the estimated fiscal year 2009-10 funding level to $49.7 billion, of which the State expects to contribute $36.2 billion, with local property taxes contributing $13.4 billion. However, had the Legislature not suspended Proposition 98, the estimated guaranteed amount would have been $53.8 billion.

The adopted 2010-11 State budget projects that fiscal year 2009-10 spending for education did not fully fund that year's minimum guaranteed amount, creating a new settle-up obligation estimated at $1.8 billion. The adopted 2010-11 State budget provides $300 million toward this obligation, which will be provided in the form of $90 million for annual education mandate costs, and $210 million for school districts' and community colleges' unpaid prior-year mandate claims, to be distributed on an equal per-student basis.

State Proposition 98 funding for K-12 schools is budgeted to be $32.2 billion, or about 1.9% higher than the $31.6 billion spent in 2009-10. Local property tax revenue, however, is expected to decline about 4.8% from the 2009-10 level of $12.1 billion to contribute $11.5 billion to K-12 schools in 2010-11. K-12 education is also slated to receive $1.5 billion in special one-time federal funding, $1.2

billion of which is from recent federal grants provided to help retain teaching jobs, and $272 million is from the last round of federal stabilization funding from the 2009 federal stimulus package.

The reliance on one-time solutions in fiscal year 2009-10 has resulted in the need for fiscal year 2010-11 reductions. These reductions are mostly treated as deferrals of payments rather than cuts. The adopted State budget defers $1.7 billion of funding from spring of 2011 to July of 2011 (the next fiscal year). Virtually all other K-12 reductions are technical adjustments designed to align appropriations with anticipated program costs, such as for the K-3 Class Size Reduction program.

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

Proposed 2011-12 State Budget. The Governor released his proposed fiscal year 2011-12 State budget (the "2011-12 Proposed State Budget") on January 10, 2011. The 2011-12 Proposed State Budget projects that the State will face a budget gap of $25.4 billion in fiscal year 2011-12 as a result of a shortfall of $8.2 billion attributable to fiscal year 2010-11 and a shortfall of $17.2 billion attributable to fiscal year 2011-12. The 2011-12 Proposed State Budget provides that the 2010-11 State budget relied, in part, on unrealistic assumptions, including the receipt of $3.6 billion in federal funds and $1.7 billion in reductions that were not achieved, and indicates that $26.4 billion in cuts, taxes and other budget measures will be necessary to close the fiscal year 2011-12 budget gap and provide for a reserve of $1 billion.

The 2011-12 Proposed State Budget recognizes that fiscal year 2010-11 revenues are $3.1 billion lower than were projected at the time of approval of the 2010-11 State budget, in part due to the recently enacted federal tax relief, unemployment insurance reauthorization, and the Job Creation Act of 2010, as well as the passage of Proposition 22, which prohibits the use of certain transportation funds to pay for debt service or from being loaned to the General Fund, creating an additional budget shortfall of $1.6 billion. The 2011-12 Proposed State Budget also anticipates that other workload adjustments including population and caseload changes will add $2.1 billion to the budget gap. The 2011-12 Proposed State Budget reduces spending by $12.5 billion, including substantial cuts to most major programs, such as

$1.7 billion to Medi-Cal, $1.5 billion to California's welfare-to-work program, $1 billion to the University of California and California State University, $750 million to the Department of Developmental Services and $580 million to State operations and employee compensation. The 2011-12 Proposed State Budget proposes a total of $14 billion in new revenues.

The 2011-12 Proposed State Budget calls for an accelerated timeline to restore balance to the State's finances and assumes that all necessary statutory changes to implement budget measures will be adopted by the State Legislature and signed by the Governor by March of 2011 to allow certain ballot measures to be placed before the voters at a special election to be called for June 2011.

The 2011-12 Proposed State Budget includes some one-time savings and borrowing, including $1.8 billion in borrowing from special funds, $1.7 billion in property tax shifts, $1.0 billion from the Proposition 10 reserve to fund children's programs, and $0.9 billion from Proposition 63 moneys to fund community mental health services. $8.2 billion of the budget gap is expected to be one-time in nature.

The 2011-12 Proposed State Budget projects the State will have sufficient cash to repay the entire $10 billion of State revenue anticipation notes as scheduled in May and June 2011. However, absent corrective action, the State will face substantial challenges in meeting all General Fund cash needs beginning in July of 2011 so that, in addition to the current budget proposals, the State will need to obtain external financing early in the 2011-12 fiscal year. Such legislation made it necessary for many school districts (and other affected local agencies) to increase the size and/or frequency of their cash flow borrowings during fiscal year 2010-11. The Governor proposed that legislation similar to the Cash Management Bill enacted for fiscal year 2010-11 be enacted for fiscal year 2011-12 and, on March 24, 2011, the Governor signed such legislation into law as part of a budget trailer bill. The legislation sets forth a specific deferral plan for K-12 education payments. See "State Cash Management Legislation" above.

The 2011-12 Proposed State Budget plan includes $2.2 billion in new inter-year deferrals from 2011-12 to 2012-13, $2.1 billion of which will derive from K-12 revenue limit payments and $129 million from community colleges apportionment payments. Such deferrals are in addition to the $1.7 billion of deferrals that were part of the 2010-11 State budget.

The 2011-12 Proposed State Budget recognizes that school funding has been disproportionately reduced since fiscal year 2007-08 and maintains Proposition 98 funding for K-12 programs at the same level for fiscal year 2011-12 as is in effect for fiscal year 2010-11. In an effort to maintain funding for schools, fund public safety services at the local level and to balance the budget, the 2011-12 Proposed State Budget anticipates that current tax rates will be continued for another five years and also proposes to apply the single sales factor income allocation rules uniformly to certain corporate taxpayers and to eliminate an ineffective tax expenditure program. These proposals are expected to generate revenues of $12 billion. The Governor proposes to place a ballot measure before the voters in a special election to be held in June of 2011 calling for a constitutional measure to extend the four temporary tax increases adopted in February 2009. However, talks to get the proposed measure on the ballot in June of 2011 were not successful. Thus, further reductions in spending for K-12 education is likely.

As it relates to K-12 education, the 2011-12 Proposed State Budget slightly lowers Proposition 98 programmatic funding for fiscal year 2011-12 ($49.3 billion) from fiscal year 2010 11 ($49.7 billion) and extends flexibility reforms (discussed below) adopted in 2009 to assist school districts to maintain their core services. Total funding for K-12 education is projected to be $63.8 billion in fiscal year 2011-12, $59.5 billion of which is State, federal and local property tax funding accounted for in the 2011-12 Proposed State Budget. Total per-pupil expenditures from all sources are projected to be $11,154 in fiscal year 2010-11 and $10,703 in fiscal year 2011-12, including funds provided for prior year "settle-up" obligations. K-12 Proposition 98 per-pupil expenditures in the 2011-12 Proposed State Budget are $7,344 in 2011-12, down slightly from $7,358 per-pupil provided in fiscal year 2010-11.

Major workload adjustments for K-12 education included in the 2011-12 Proposed State Budget include the following:

- Cost-of-Living Adjustment Increases. The 2011-12 Proposed State Budget does not provide a cost-of-living-adjustment ("COLA") for any K-14 program in fiscal year 2011-12. The projected COLA for 2011-12 is 1.67%, which would have provided an increase of $964.5 million overall, to the extent Proposition 98 resources were sufficient to provide that adjustment.

- Property Tax. A decrease of $47.9 million for school district and county office of education revenue limits is made in fiscal year 2010-11 as a result of higher offsets of property tax revenues. An increase of $155.7 million for school district and county office of education revenue limits in fiscal year 2011-12 as a result of reduced offsets of local property tax revenues.

- Average Daily Attendance. An increase of $81.4 million in fiscal year 2010-11 for school district and county office of education revenue limits is made as a result of an increase in projected ADA and an increase of $357.5 million in fiscal year 2011-12 for school district and county office of education revenue limits as a result of continued projected growth in ADA for fiscal year 2011-12.

- Unemployment Insurance. An increase of $351.8 million in fiscal year 2011-12 is made to fully fund the additional costs of unemployment insurance for local school districts and county offices of education.

- K-14 Mandates Funding. Ongoing funding of $89.9 million is provided for K-14 mandates to provide level funding relative to fiscal year 2010-11, for reimbursement of state mandated local costs. Current law suspends for three additional years those programs that were suspended during fiscal year 2010-11.

Some significant non-General Fund workload adjustments are as follows:

- School Construction Program. The workload budget includes a $316 million decrease in fiscal year 2009-10 actual expenditures, a $2.07 billion increase in fiscal year 2010-11 estimated expenditures and a $1.97 billion decrease in fiscal year 2011-12 estimated expenditures for school facilities. These amounts are largely attributable to the anticipated allocation of remaining funds from the 1998, 2002, and 2004 bonds. No proposal was made by the Governor to place a school construction bond on the ballot for the 2012 election cycle.

- Child Nutrition Program. An increase of $36.1 million in fiscal year 2011-12 to the State Department of Education ("SDE") local assistance from federal funds to reflect growth of nutrition programs at schools and other participating agencies and an increase of $12.0 million in fiscal year 2011-12 to the SDE local assistance from federal funds for the Fresh Fruit and Vegetable Program, which provides an additional free fresh fruit or vegetable snack to students during the school day.

The 2011-12 Proposed State Budget also proposes to extend various flexibility options for school districts for two additional years. Specifically, it extends authority in the following areas:

- Categorical flexibility. For fiscal years 2008-09 through 2012-13, local educational agencies were given broad flexibility to spend funds for approximately 40 K-12 categorical programs for any educational purpose. Under categorical flexibility, a district's allocation for each program is based on its share of total program funding either in fiscal year 2007-08 or 2008-09, with the earlier year being used for certain participation-driven programs.

- Routine Maintenance Contributions. Local educational agencies were proposed to reduce the amount that districts must deposit into a restricted routine maintenance account for the 2008-09 through 2012-13 fiscal years, from 3% of General Fund expenditures to 1%.

- Deferred Maintenance Requirement. The requirement that districts set aside ½% of their revenue limit funding for deferred maintenance was suspended for the 2008-09 to 2012-13 fiscal years.

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

LAO Overview of 2011-12 Proposed State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the Legislature, released its report on the 2010-11 Proposed State Budget entitled "2011-12 Budget: Overview of the Governor's Budget" on January 12, 2011 (the "2011-12 Budget Overview") in which the LAO agreed that the $25.4 billion State budget shortfall estimated in the 2011-12 Proposed State Budget was a reasonable estimate. In the 2011-12 Budget Overview, the LAO concurs with the Governor that the major reasons for the current State budget shortfall include the inability of the State to achieve certain previous budget measures, the expiration of various one-time and temporary budget measures approved in recent years, and the failure of the State to obtain significant additional federal funding for key programs. Generally, the 2011-12 Budget Overview recognizes that the 2011-12 Proposed State Budget includes proposals impacting nearly every area of the fiscal year 2011-12 State budget and that the 2011-12 Proposed State Budget is a good starting point for legislative deliberations, recognizing that the focus on multiyear and ongoing measures are necessary to make substantial improvements in the State's budgetary situation. The 2011-12 Budget Overview supports the extension of the four temporary tax increases adopted in February 2009 to voters in a June 2011 special election and to the restructuring of the state local relationship in the delivery of services by shifting funding and responsibility to local governments for those services. The 2011-12 Budget Overview responds favorably to the 2011-12 Proposed State Budget proposals to "realign" state and local program responsibilities and to the proposed changes in local economic development efforts. Nonetheless, the LAO believes there are significant risks in the 2011-12 Proposed State Budget, especially in the context of the realignment and redevelopment proposals which involve many unresolved legal, financial and policy issues. The 2011-12 Budget Overview concludes that the State Legislature will have to make difficult decisions on both its spending and tax commitment and that the 2011-12 Proposed State Budget also presents an opportunity to reorder state and local government functions to improve the delivery of public services.

The 2011 LAO Budget Overview recognizes that, while the 2011-12 Proposed State Budget includes revenue proposals resulting in a $2 billion increase in the Proposition 98 minimum funding guarantee for schools above its current-law level, the 2011-12 Proposed State Budget would result in a small programmatic funding decline for K-12 schools and significant reductions for community colleges and child care programs. The 2011-12 Budget Overview also suggests that $128 million of the anticipated Proposition 98 savings included in the 2011-12 Proposed State Budget cannot be realized and that the assumed $74 million in savings due to the sunset of the Special Disabilities Adjustment program could violate federal maintenance of effort requirements. In addition, the 2011-12 Budget Overview recommends that the State Legislature could consider a different combination of policy changes to realize child care savings. With respect to community college funding, the 2011-12 Budget Overview supports the 2011-12 Proposed State Budget proposal to increase community college fees.

The 2011 LAO Budget Overview is available on the LAO website at **www.lao.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

Enacted Budget Trailer Bills. On March 24, 2011, the Governor signed into law several budget trailer bills, even though the fiscal year 2011-12 State budget is yet to be finalized. One bill signed into law, Senate Bill No. 70 (Chapter 7, Statutes of 2011), provides certain statutory changes in the area of education in order to enact modifications to the fiscal year 2010-11 State budget and fiscal year 2011-12 State budget. Among other things Senate Bill No. 70:

- Provides a revenue limit deficit factor of 19.892% for fiscal years 2011-12 and 2012-13 to reflect a $106.6 million deficit for county offices of education (COEs). Provides a revenue limit deficit factor of 19.608% for fiscal year 2011-12 to reflect a deficit of $7.7 billion for school districts.

- Defers an additional $2.1 billion in K-12 funds from fiscal year 2011-12 to fiscal year 2012-13. Specifically, Senate Bill No. 70 shifts $1.3 billion in March 2012 payments and $763 million in April 2012 payments to August 2012. This schedule is shorter than the 13 month deferral proposed in the 2011-12 Proposed State Budget.

- Extends various flexibility options to school districts for an additional two years (to fiscal year 2014-15), including categorical flexibility, instructional materials purchase and adoption requirements, routine and deferred maintenance requirements, surplus property, class size reduction, instructional minutes and local budget reserve requirements.

- Extends until fiscal year 2014-15, authorization for new schools, the majority of which are charter schools, to access flexible categorical program funding on par with existing schools.

- Appropriates $5 million from the State General Fund to augment the Charter School Revolving Loan Fund, which makes low-interest, start-up loans to new charter schools in order to meet the purposes of their charters.

- Establishes a zero percent cost-of-living adjustment (COLA) for K-12 programs in fiscal year 2010-11. Though the actual COLA of 1.67% is not provided, it is applied to the deficit factors established in the bill.

- Provides $2.3 million in federal funds ($1.5 million in Title VI and $781,000 in Title II) for fiscal year 2010-11 for the California Longitudinal Pupil Achievement Data System (CALPADS).

- Applies an 8.9% reduction to categorical programs for basic aid districts in fiscal year 2010-11 and fiscal year 2011-12 commensurate to the revenue limit reduction rate for other school districts in fiscal year 2010-11 and fiscal year 2011-12. Specifies the intent to restore these reductions at the same time, and in direct proportion to restoration of revenue limit reductions.

- Authorizes a statutory appropriation for the K-3 Class Size Reduction program for fiscal year 2011-12. The statute authorizes the Superintendent of Public Instruction to certify the funding needed for the program in fiscal year 2011-12 to ensure full funding for the program.

- Reduces ongoing Proposition 98 funding for special education by about $13.1 million in fiscal year 2011-12 and backfills with one-time Proposition 98 savings from various programs to cover fiscal year 2010-11 program adjustments.

- Suspends the statutory division of Proposition 98 funding among K-12 educational agencies, community colleges, and other state agencies, and instead conforms the division of funding based upon actual budget appropriations in fiscal year 2011-12.

- Requires the state to adjust the Proposition 98 calculation so that any shift in local property taxes previously received by redevelopment agencies has no effect on the Proposition 98 minimum guarantee in fiscal year 2011-12.

Changes in State Budget. The final fiscal year 2011-12 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposals. Accordingly, the District cannot predict the impact that the 2011-12 Proposed State Budget, or subsequent budgets, will have on its finances and operations. The State Budget will be affected by national and State economic conditions and other factors.

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 2010-11 and in future fiscal years. Continued State budget shortfalls in fiscal year 2010-11 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 each school district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district is the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State equalization aid, and receives only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. The District is not a basic aid district.

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

The following table sets forth (i) the District's actual A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal years 2006-07 through 2009-10, and (ii) the District's projected A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal year 2010-11, for kindergarten through grade 6 ("K-6"), including special education but excluding adult education.

MARTINEZ UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Average Daily Attendance, Enrollment And Base Revenue Limit
Fiscal Years 2006-07 Through 2010-11

Fiscal Year	Average Daily Attendance(1)	Enrollment	Base Revenue Limit Per Unit of Average Daily Attendance
2006-07	3,918	4,118	$5,567
2007-08	3,856	4,076	5,820
2008-09(2)	3,794	3,976	6,149
2009-10(3)	3,815	4,045	6,411
2010-11(4)	3,858	4,051	6,386

(1) A.D.A. for the second period of attendance, typically in mid-April of each school year.
(2) The District had a 7.844% base revenue limit deficit factor in fiscal year 2008-09, resulting in a funded base revenue limit of $5,667. A deficit factor is applied to the base revenue limit if provided in the State Budget for a given fiscal year when appropriation of funds in the State Budget for such is not sufficient to pay all claims for State aid. The deficit factor is applied to reduce the allocation of State aid to the amount appropriated.
(3) The District had a 18.355% base revenue limit deficit factor and a 4.25% cost of living adjustment in fiscal year 2009-10, which resulted in net funding of a negative 7.64% and a funded base revenue limit of $4,981, which includes a one time base revenue limit reduction of $252.99.
(4) Figures are projections. The District also expects a 17.963% base revenue limit deficit factor and a negative 0.39% cost of living adjustment in fiscal year 2010-11, which results in a funded base revenue limit of $5,239.
Source: The District.

In its 2010-11 second interim report, the District projects that it will receive approximately $20.28 million in aggregate revenue limit income in fiscal year 2010-11, or approximately 65.5% of its general fund revenues. State funds for special programs are currently budgeted to be $6.13 million for fiscal year 2010-11. 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 $572,000 for fiscal year 2010-11.

Local Sources of Education Funding

The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State aid, and receives only its special categorical aid which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts are known as "basic aid districts." Districts that receive some State aid are commonly referred to as "revenue limit districts."

The District is not a "basic aid district." Local property tax revenues account for approximately 83% of the District's aggregate revenue limit income, and are budgeted to be approximately $17 million, or 55% of total general fund revenue in fiscal year 2010-11. 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 2006-07 through fiscal year 2010-11.

MARTINEZ UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Developer Fees
Fiscal Years 2006-07 through 2010-11

Year	Total Revenues
2006-07	$344,927
2007-08	579,613
2008-09	226,482
2009-10	138,482
2010-11[1]	27,407

[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, 2010, which are included as Appendix B.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from financial statements prepared by the District's independent auditor, Goodell, Porter, Sanchez & Bright, LLP, for fiscal years 2005-06 through 2009-10.

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

The following tables show the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2005-06 through 2009-10.

MARTINEZ UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2005-06 through 2009-10

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10
REVENUES					
Revenue Limit Sources:					
State Apportionments	$ 4,937,313	$ 5,509,364	$ 4,800,084	$ 4,345,259	$ 1,819,769
Local Sources	16,133,120	16,655,695	18,079,324	17,638,186	16,995,173
Total Revenue Limit	21,070,433	22,165,059	22,879,408	21,983,445	18,814,942
Federal Revenue	1,469,362	1,370,766	1,469,688	3,109,064	2,613,194
Other State Revenue	3,445,083	4,871,640	4,040,209	3,774,687	6,309,887
Other Local Revenue	2,823,398	2,562,522	2,553,522	2,477,501	3,751,429
Total Revenues	28,808,276	30,969,987	30,942,827	31,344,697	31,489,452
EXPENDITURES					
Certificated Salaries	14,956,749	15,757,836	16,165,489	15,487,041	15,131,439
Classified Salaries	3,508,473	3,798,576	3,802,248	3,668,008	3,588,038
Employee Benefits	5,659,129	6,122,248	6,447,262	6,505,523	6,493,063
Books and Supplies	1,468,272	1,822,031	1,499,495	1,104,227	1,233,156
Services and Other Operating Expenditures	2,532,313	2,731,465	2,810,242	2,762,707	2,752,684
Capital Outlay	380,625	19,434	8,160	47,434	49,451
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Other Outgo	270,548	90,617	169,775	137,851	246,085
Total Expenditures	28,776,109	30,342,207	30,902,671	29,712,791	29,493,916
Excess of Revenues Over (Under) Expenditures	32,167	627,780	40,156	1,631,906	1,995,536
Other Financing Sources (Uses)					
Operating Transfers In	150,000	150,000	150,000	203,762	-
Operating Transfers Out	(773,495)	(215,000)	(221,137)	(215,504)	(2,496,664)
Other Sources	-	-	-	7,665	600,000
Other Uses	-	-	-	-	-
Total Other Financing Sources and Uses	(623,495)	(65,000)	(71,137)	(4,077)	(1,896,664)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(591,328)	562,780	(30,981)	1,627,829	98,872
Fund Balances, July 1	4,199,910	3,608,582	4,171,362	4,140,381	5,768,210
Fund Balances, June 30	$3,608,582	$4,171,362	$ 4,140,381	$ 5,768,210	$ 5,867,082

Source: District Audited Financial Reports for fiscal years 2005-06 through 2009-10.

The following table shows the general fund balance sheet of the District for fiscal years 2005-06 through 2009-10.

MARTINEZ UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Summary of General Fund Balance Sheet
Fiscal Years 2005-06 Through 2009-10

	Fiscal Year 2005-06	Fiscal Year 2006–07	Fiscal Year 2007–08	Fiscal Year 2008-09	Fiscal Year 2009-10
ASSETS					
Cash in County Treasury	$ 1,642,861	$ 2,393,020	$ 2,101,486	$ 1,278,486	$ 2,282,685
Cash on Hand and in Banks	-	-	-	-	-
Cash in Revolving Fund	5,370	5,370	5,371	5,371	5,371
Cash with Fiscal Agent	-	-	-	-	-
Investments	760,697	798,867	838,074	860,529	868,227
Accounts Receivable	2,078,417	1,339,531	1,556,916	4,572,360	3,431,053
Stores Inventories	-	-	-	-	-
Total Assets	$ 4,487,345	$ 4,536,788	$ 4,501,847	$ 6,716,746	$ 6,587,336
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Deficit Cash	-	-	-	-	-
Accounts Payable	$ 781,559	$ 286,304	$ 254,663	$ 606,789	$ 461,429
Deferred Revenue	97,204	79,122	106,803	341,747	258,825
Due to Other Funds	-	-	-	-	-
Other Liabilities	-	-	-	-	-
Total Liabilities	878,763	365,426	361,466	948,536	720,254
Fund Balances:					
Reserved	5,370	5,370	5,371	5,371	1,033,592
Legally Restricted Balances	1,003,825	1,199,015	930,874	2,392,355	-
Unreserved:					
Designated	2,599,387	2,966,977	3,204,136	3,370,484	4,653,512
Undesignated (Deficit)	-	-	-	-	179,978
Total Fund Balances	3,608,582	4,171,362	4,140,381	5,768,210	5,867,082
Total Liabilities and Fund Balances	$4,487,345	$ 4,536,788	$ 4,501,847	$ 6,716,746	$ 6,587,336

Source: District Audited Financial Reports for fiscal years 2005-06 through 2009-10.

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

A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the County Superintendent. The District has never received a negative certification. The District did file a qualified certification in its second interim financial report for the fiscal year 2009-10. However, the District filed positive certifications in its first and second interim financial reports for fiscal year 2010-11.

The following table summarizes the District's adopted general fund budgets for fiscal years 2008-09 and 2009-10, unaudited actuals for fiscal years 2008-09 and 2009-10, and first interim report for fiscal year 2010-11.

MARTINEZ UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
General Fund Budgets for Fiscal Years 2008-09 Through 2009-10,
Unaudited Actuals for Fiscal Years 2008-09 and 2009-10
and First Interim Report for Fiscal Year 2010-11

	2008-09 Original Adopted Budget	2008-09 Unaudited Actuals	2009-10 Original Adopted Budget	2009-10 Unaudited Actuals	2010-11 Second Interim Report
REVENUES					
Revenue Limit Sources	$22,472,207.00	$21,983,445.05	20,098,238.00	$18,814,941.90	$20,281,674.00
Federal Revenue	1,193,147.00	3,109,064.17	1,413,203.00	2,613,193.89	1,904,322.00
Other State Revenue	3,731,583.00	3,774,686.75	3,494,908.00	6,309,886.59	6,128,696.00
Other Local Revenue	1,923,877.00	2,477,500.59	2,105,740.00	3,751,429.14	2,658,794.00
TOTAL REVENUES	29,320,794.00	31,344,696.56	27,112,089.00	31,489,451.52	30,973,486.00
EXPENDITURES					
Certificated Salaries	15,579,180.00	15,487,043.10	14,414,633.00	15,131,438.89	15,056,450.00
Classified Salaries	3,688,074.00	3,668,008.17	3,459,478.00	3,588,038.54	3,910,634.00
Employee Benefits	6,563,998.00	6,505,522.55	6,387,730.00	6,493,062.62	6,436,105.00
Books and Supplies	979,500.00	1,104,227.13	1,031,492.00	1,233,156.12	992,424.00
Services, Other Operating Expenses	2,539,924.00	2,762,707.48	2,796,906.00	2,752,684.09	3,690,412.00
Capital Outlay	5,000.00	47,433.78	5,000.00	49,450.70	77,678.00
Other Outgo (excluding Direct Support/Indirect Costs)	272,060.00	383,450.59	310,000.00	287,076.83	369,610.00
Transfers of Direct Support/Indirect Costs	(245,600.00)	(245,600.00)	(227,695.00)	(40,992.27)	(47,615.00)
TOTAL EXPENDITURES	29,382,146.00	29,712,792.80	28,177,544.00	29,493,915.52	30,485,698.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(61,352.00)	1,631,903.76	(1,065,455.00)	1,995,536.00	487,788.00
OTHER FINANCING SOURCES (USES)					
Inter-fund Transfers In	180,000.00	203,762.00	-	-	-
Inter-fund Transfers Out	221,137.00	215,504.00	-	2,496,664.35	1,486,491.00
Other Sources (Uses)	-	-	-	-	-
Contributions	-	7,665.74	-	600,000.00	-
TOTAL, OTHER FINANCING SOURCES (USES)	(41,137.00)	(4,076.26)	-	(1,896,664.35)	(1,486,491.00)
NET INCREASE (DECREASE) IN FUND BALANCE	(102,489.00)	1,627,827.50	(1,065,455.00)	98,871.65	(998,703.00)
BEGINNING BALANCE, as of July 1	3,838,714.83	4,140,382.11	3,852,269.11	5,768,209.61	5,867,081.00
Audit Adjustments	-	-	-	-	-
As of July 1 – Audited	3,838,714.83	4,140,382.11	3,852,269.11	5,768,209.61	5,867,081.00
Other Restatements	-	-	-	-	65,123.00
Adjusted beginning Balance	3,838,714.83	4,140,382.11	3,852,269.11	5,768,209.61	5,932,204.00
ENDING BALANCE	3,736,225.83	5,768,209.61	2,786,814.11	5,867,081.26	4,933,501.00

Source: District Adopted General Fund Budgets for fiscal years 2008-09 and 2009-10; unaudited actuals for fiscal years 2008-09 and 2009-10; and second interim report for fiscal year 2010-11.

District Debt Structure

Long-Term Debt Summary. A schedule of changes in the District's long-term obligations for the year ended June 30, 2010, consisted of the following:

Long-Term Debt	Beginning Balance July 1, 2009	Additions	Deletions	Ending Balance June 30, 2010	Due Within One Year
General Obligation Bonds	$23,445,000		$3,030,000	$20,415,000	$3,285,000
Compensated Absences	205,800		29,680	176,120	176,120
Other Postemployment Benefits	672,212	$982,433	482,767	1,171,878	-
Totals	$24,323,012	$982,433	$3,542,447	$21,762,998	$3,461,120

General Obligation Bonds. The District has three series of bonds outstanding, excluding the Series 2011 Bonds, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District. The following table summarizes the District's bonds that were outstanding as of June 30, 2010:

Bond	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2009	Redeemed Current Year	Outstanding June 30, 2010
Series 1997 Bonds	3.8 – 5.0%	2015	$ 8,250,000	$ 3,705,000	$ 545,000	$ 3,160,000
Series 1998 Bonds	4.0-10.0	2015	2,750,000	1,270,000	190,000	1,080,000
Series 2001 Refunding Bonds	2.875-4.375	2015	30,045,000	18,470,000	2,295,000	16,175,000
			$41,045,000	$23,445,000	$3,030,000	$20,415,000

See also "THE SERIES 2011 BONDS—Outstanding Bonds" and " – Aggregate Debt Service" in the front portion of this Official Statement for the annual debt service requirements for these bonds.

Other Post-Employment Benefits (OPEBs). In addition to the retirement plan benefits with CalSTRS and CalPERS (defined below), the District provides certain post retirement healthcare benefits in accordance with District employment contracts. For a description of the District's program, which is a single-employer defined benefit healthcare plan that provides medical, dental and vision insurance benefits, see Note 8 to the District's financial statements attached hereto as APPENDIX B "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010."

The Governmental Accounting Standards Board ("GASB") released its Statement Number 45 ("Statement Number 45"), which requires municipalities to account for other post-employment benefits (meaning other than pension benefits) ("OPEB") liabilities 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. Statement Number 45 was phased in over a three-year period based upon the entity's revenues. Statement Number 45 became effective for the District beginning in the fiscal year ended June 30, 2009.

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, with additional amounts to prefund benefits as determined annually by the District's Board of Education. Although the District has not established an irrevocable trust to prefund its OPEB liability, it does have approximately $624,000 set aside in a special reserve for its OPEB obligations.

Total Compensation Systems, Inc., Agoura Hills, California, has prepared an actuarial valuation covering the District's retiree health benefits and reports that, as of March 1, 2010, the District had an accrued unfunded liability of $9,734,922. For more information regarding the actuarial valuation, the District's annual required contribution for 2009-10 and the District's net OPEB obligation at June 30, 2010, as well as the basic assumptions upon which the valuation was based, see Note 8 to the District's financial statements attached hereto as APPENDIX B—"FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010."

Employment

As of June 30, 2010, the District employed 375 employees, consisting of 220 non-management certificated employees, 15 certificated management employees, 131 classified non-management employees, and 9 classified management employees. For the year ended June 30, 2010, the total certificated and classified payrolls are $15,131,438 and $3,588,039, respectively.

District employees are represented by employee bargaining units as follows:

Name of Bargaining Unit	Number of Employees Represented	Current Contract Expiration Date
Martinez Education Association (MEA)	220	June 30, 2012
California Schools Employees Association (CSEA)	131	June 30, 2012
Martinez Administrative Schools Association (MASA)	17	June 30, 2012
Martinez Confidential Supervisor Unit (CONF/SUPS)	7	June 30, 2012

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.

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, 2009, an actuarial valuation for the entire system, including enhanced benefits, showed an estimated unfunded actuarial liability of $40.5 billion, an increase of $18 billion from the June 30, 2008 valuation. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions.

CalSTRS has developed options to address the shortfall but most would require legislative action. In addition, in the Governor's 2005–06 Proposed State Budget and the 2005-06 May Revise of the 2005-06 Proposed Budget, the Governor proposed increasing the fixed contribution rate from 8.25% to 10.25% for school districts. Subsequently, the final 2005-06 State Budget was adopted with a contribution rate of 8.25%. In addition to 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 2007-08, 2008-09 and 2009-10 were $1,826,582, $1,354,879 and $1,300,547, respectively, and were equal to 100% of the required contributions for each year. The District projects that its employer contributions to CalSTRS for fiscal year 2010-11 will be approximately $1,194,009.

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, 2009, the CalPERS Plan for Schools had a funded ratio of 65% on a market value of assets basis. The funded ratio as of June 30, 2008 and June 30, 2007 was 93.8% and 107.8%, respectively. In June 2009, the CalPERS Board of Administration adopted a new employer rate smoothing methodology for local governments and school employer rates. It was designed to ease the impact of the investment losses which were then expected in fiscal year 2008-09 on affiliated public employers while strengthening the long-term financial health of the pension fund. Under the new methodology, investment losses will be amortized and paid off over a fixed and declining 30-year period instead of a rolling 30-year amortization period.

The District's employer contributions to CalPERS for fiscal years 2007-08, 2008-09 and 2009-10 were $343,171, $422,366 and $411,621, respectively, and were equal to 100% of the required contributions for each year. The District projects that its employer contributions to CalPERS for fiscal year 2010-11 will be approximately $372,390.

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, 2010, Note 10."

Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures

The District participates in four joint ventures under joint powers agreements ("JPA's"): The Contra Costa County Schools Insurance Group (CCCSIG) for workers' compensation insurance; the Contra Costa and Solano Counties School Districts' Self-Insurance Authority (CCSCSDSIA) for property and liability insurance, Schools Excess Liability Fund (SEFL) for excess liability, property, and workers' compensation coverage, and Schools Self-Insurance of Contra Costa County (SSICCC) for dental and vision. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPA arranges for and/or provides coverage for its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficiets proportionately tot heir participation in the JPA. See Appendix B— "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010, NOTE 11."

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Article XIIIA of the California Constitution

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

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

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

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

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

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

Article XIIIB of the California Constitution

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

The District's budgeted appropriations from "proceeds of taxes" (sometimes referred to as the "Gann limit") for the 2009-10 fiscal year are equal to the allowable limit of $17,521,578 and estimates an appropriations limit for the 2010-11 fiscal year of $17,893,039. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Article XIIIC and Article XIIID of the California Constitution

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

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

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

Statutory Limitations

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

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

Proposition 98 and Proposition 111

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

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

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

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

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

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT 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, 2010

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MARTINEZ UNIFIED SCHOOL DISTRICT
COUNTY OF CONTRA COSTA
MARTINEZ, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2010

MARTINEZ UNIFIED SCHOOL DISTRICT

JUNE 30, 2010

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

FINANCIAL SECTION

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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VIRGINIA K. PORTER, CPA
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SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Education
Martinez Unified School District
Martinez, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Martinez Unified School District as of and for the year ended June 30, 2010, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the provisions of *California Code of Regulations* Title 5 Education, Section 19810, and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Martinez Unified School District as of June 30, 2010 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 13, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 3 through 12 and 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Martinez Unified School District's financial statements as a whole. The accompanying statistical schedules and combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the financial statements of Martinez Unified School District. The statistical schedules, the schedule of expenditures of federal awards and the combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Goodell, Porter, Sanchez & Bright, LLP

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 13, 2010

The discussion and analysis of Martinez Unified School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements and the District's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

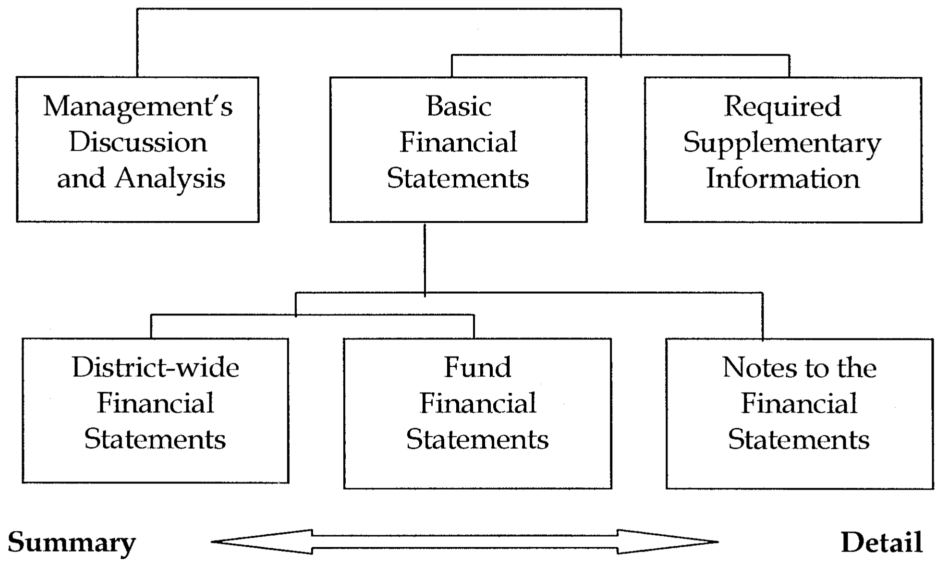
- The General Fund total revenue limit sources decreased by $3,168,503 from 2008-09 to 2009-10.
- General Fund revenues and other financial sources exceeded expenditures and other uses by $99 thousand, ending the year with available reserves of $1,117,236, which is more than the State recommended reserve level of 3%.
- The total of the District's fixed assets, land, site, buildings, and equipment, valued on an acquisition cost basis was $74.7 million. After depreciation, the June 30, 2010 book value for fixed assets totaled $39.9 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the Martinez Unified School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Components of the Financial Section



The first two statements are *district-wide financial statements,* the Statement of Net Assets and Statement of Activities. These statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's more significant funds with all other non-major funds presented in total in one column. Comparisons of the District's General Fund budget is included.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Components of the Financial Section (Concluded)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Reporting on the District as a Whole

Statement of Net Assets and the Statement of Activities

These two statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2009-10?"

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. 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 education provided and the safety of the schools to assess the overall health of the District.

- Increases or decreases in the net assets of the District over time are indications of whether its financial position is improving or deteriorating, respectively.

- Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

- Governmental Funds

  Most of the District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund, the Special Reserve Fund for Capital Outlay Projects and the Bond Interest and Redemption Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

- Fiduciary Funds

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

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The School District as a Whole

The District's net assets were $37.9 million at June 30, 2010. Of this amount $8.2 million was unrestricted. Investments in capital assets, net of related debt, account for $22.7 million of the total net assets. A comparative analysis of government-wide data is presented in Table 1.

(Table 1)
Comparative Statement of Net Assets

	Governmental Activities	
	2010	2009
Assets		
Cash	$ 9,544,342	$ 8,272,720
Investments	7,631,305	8,589,742
Receivables	3,908,260	5,377,360
Stores inventory	-	14,411
Capital assets, net of depreciation	39,941,952	41,464,657
Total assets	$ 61,025,859	$ 63,718,890
Liabilities		
Deficit Cash	$ 15,532	$ 610,108
Accounts payable and other current liabilities	998,895	1,234,212
Deferred Revenue	313,612	368,004
Long-term liabilities	21,762,998	24,323,012
Total liabilities	$ 23,091,037	$ 26,535,336
Net Assets		
Invested in capital assets, net of related debt	$ 22,714,432	$ 19,684,383
Restricted	7,031,160	16,798,115
Unrestricted	8,189,230	701,056
Total net assets	$ 37,934,822	$ 37,183,554

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The District's net asset position increased $751 thousand this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 75% of total expenses. The purely administrative activities of the District accounted for just 7% of total costs. The remaining 18% was spent in the areas of plant services and other expenses, interest on long-term debt and other outgo. (See Figure 2).

(Table 2)
Comparative Statement of Change in Net Assets

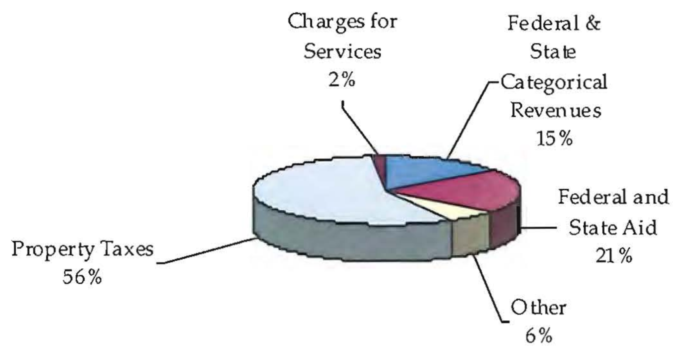
	Governmental Activities	
	2010	2009
Revenues		
Program revenues	$ 6,363,813	$ 11,721,747
General revenues		
Taxes levied for general purposes	16,995,174	17,638,186
Taxes levied for debt service	3,984,689	3,861,916
Taxes levied for other specific purposes	526,404	
Federal and State aid not restricted to specific purposes	8,035,694	6,442,163
Interest and investment earnings	346,652	307,225
Miscellaneous	2,220,419	779,401
Total revenues	38,472,845	40,750,638
Expenses		
Instruction	21,972,653	21,959,801
Instruction related services	4,174,986	4,514,224
Pupil support services	2,358,676	2,534,295
General administration	2,491,434	2,727,530
Plant services	3,092,226	3,747,849
Other	3,631,602	4,561,820
Total expenses	37,721,577	40,045,519
Increase in net assets	$ 751,268	$ 705,119

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)

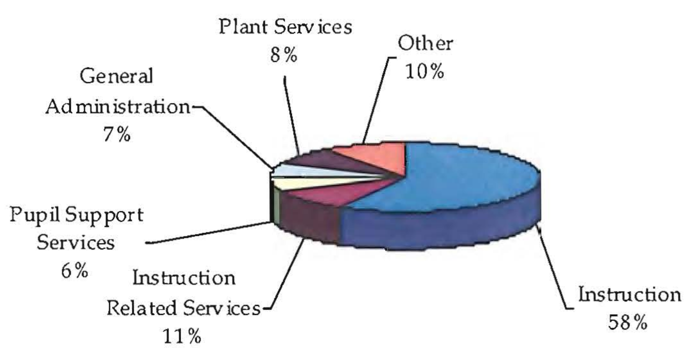
Governmental Activities

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was $37.7 million. The amount that our local taxpayers financed for these activities through property taxes was $21.5 million. Federal and State aid not restricted to specific purposes totaled $8 million. State and Federal Categorical revenue totaled over $5.6 million. (See Figure 1).

Sources of Revenue for the 2009-10 Fiscal Year
Figure 1



Expenses for the 2009-10 Fiscal Year
Figure 2



FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of $20 million.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget monthly. The significant budget adjustments fell into the following categories:

- Budget revisions to the adopted budget required after approval of the State budget.
- Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The final revised budget for the General Fund reflected a net increase to the ending balance of $305 thousand.

The District's General Fund ended the year by increasing $99 thousand. The State recommends an ending reserve for economic uncertainties of 3%. The District's ending available reserve was 3.5%, which included the reserve for economic uncertainties.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2009-10 fiscal year, the District had invested $74.7 million in a broad range of capital assets, including land, school buildings, athletic facilities, administrative buildings, site improvements, vehicles, and equipment. The capital assets net of depreciation were $39.9 million at June 30, 2010, which is a decrease of $1,522,705 from the previous year due to acquisitions totaling $800,758 and depreciation expense of $2,323,463.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Concluded)

Table 3
Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2010 and 2009

	2010	2009	Difference
Land	$ 5,740,960	$ 5,740,960	
Sites and Improvements	2,888,421	3,297,518	$ (409,097)
Buildings	30,627,870	31,699,859	(1,071,989)
Machinery & Equipment	684,701	726,320	(41,619)
Total	$ 39,941,952	$ 41,464,657	$ (1,522,705)

Long-Term Debt

At June 30, 2010, the District had $21.8 million in long-term debt outstanding.

Table 4
Comparative Schedule of Outstanding Debt
June 30, 2010 and 2009

	2010	2009
General Obligations Bonds	$ 20,415,000	$ 23,445,000
Compensated Absences	176,120	205,800
Other Postemployment Benefits	1,171,878	672,212
Total	$ 21,762,998	$ 24,323,012

The District continues to maintain excellent credit ratings on all of its debt issues.

The long-term debt paid by the District was approximately $3.5 million in 2009-10.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Long-Term Debt (Concluded)

The general obligation bonds are financed by the local taxpayers and represent 94% of the District's total outstanding debt.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State's economic downturn is a major factor affecting the District's future. The financial well being of the District is tied in large measure to the state funding formula. Furthermore, the State's current year budget does not fully address its budget problem, so it is anticipated that further reductions in funding may be forthcoming.

The latest enrollment projections indicate a leveling of enrollment for the next school year. Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California.

Even with leveling of enrollment, the State's economic condition indicates a likely decline in the District's revenue, along with related budget reductions. The future predictions require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Liz Robbins, Chief Business Official, Martinez Unified School District, 921 Susana Street, Martinez, CA 94553, (925) 335-5925.

MARTINEZ UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2010

			Governmental Activities
ASSETS			
Cash (Note 2)		$	9,544,342
Investments (Note 2)			7,631,305
Accounts Receivable (Note 4)			3,908,260
Capital Assets, Net of Depreciation (Note 6)			39,941,952
Total Assets		$	61,025,859
LIABILITIES			
Deficit Cash Balance (Note 2)		$	15,532
Accounts Payable and Other Current Liabilities			998,895
Deferred Revenue (Note 1H)			313,612
Long-term Liabilities (Note 9)			
Due Within One Year	$ 3,461,120		
Due After One Year	18,301,878		
Total Long-term Liabilities			21,762,998
Total Liabilities		$	23,091,037
NET ASSETS			
Invested in Capital Assets, Net of Related Debt		$	22,714,432
Restricted For:			
Capital Projects			288,841
Debt Service			5,714,098
Education Programs			1,028,221
Unrestricted			8,189,230
Total Net Assets		$	37,934,822

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

Governmental Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Instruction	$ 21,972,653	$ 180,990	$ 3,971,824	$ (17,819,839)
Instruction-related services:				
Supervision of instruction	838,044	1,396	354,835	(481,813)
Instructional library, media and technology	362,488	2,115	91,346	(269,027)
School site administration	2,974,454	868	235,180	(2,738,406)
Pupil Services:				
Home-to school transportation	73,830		5,334	(68,496)
Food services	899,978	501,917	382,208	(15,853)
All other pupil services	1,384,868	19,727	328,989	(1,036,152)
General administration:				
Data processing	407,239			(407,239)
All other general administration	2,084,195	28,205	129,281	(1,926,709)
Plant services	3,092,226	24,396	17,941	(3,049,889)
Ancillary services	130,973			(130,973)
Community services	200	51	139	(10)
Interest on long-term debt	888,413			(888,413)
Other Outgo	288,553		87,071	(201,482)
Depreciation (unallocated)	2,323,463			(2,323,463)
Total Governmental Activities	$ 37,721,577	$ 759,665	$ 5,604,148	(31,357,764)

General Revenues:	
Property Taxes Levied For:	
General Purposes	16,995,174
Taxes Levied for Debt Services	3,984,689
Taxes Levied for Other Specific Purposes	526,404
Federal and State Aid not Restricted to Specific Purposes	8,035,694
Interest and Investment Earnings	346,652
Miscellaneous	2,220,419
Total General Revenues	32,109,032
Change in Net Assets	751,268
Net Assets Beginning	37,183,554
Net Assets Ending	$ 37,934,822

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption	Other Governmental Funds	Total Governmental Funds
Assets					
Cash in County Treasury (Note 2)	$ 2,282,685	$ 69,432	$ 4,311,220	$ 1,441,407	$ 8,104,744
Cash on Hand and in Banks (Note 2)				26,349	26,349
Cash in Revolving Fund (Note 2)	5,371			5,000	10,371
Cash with Fiscal Agent (Note 2)			1,402,878		1,402,878
Investments (Note 2)	868,227	6,749,639		13,439	7,631,305
Accounts Receivable (Note 4)	3,431,053	203,000		274,207	3,908,260
Total Assets	$ 6,587,336	$ 7,022,071	$ 5,714,098	$ 1,760,402	$ 21,083,907
Liabilities and Fund Balances					
Liabilities:					
Deficit Cash (Note 2)				$ 15,532	$ 15,532
Accounts Payable	$ 461,429	$ 73,097		99,373	633,899
Deferred Revenue (Note 1H)	258,825			54,787	313,612
Total Liabilities	720,254	73,097		169,692	963,043
Fund Balances (Note 1H):					
Reserved	1,033,592		$ 5,714,098	5,000	6,752,690
Unreserved:					
Designated	4,653,512				4,653,512
Undesignated	179,978	6,948,974		1,585,710	8,714,662
Total Fund Balances	5,867,082	6,948,974	5,714,098	1,590,710	20,120,864
Total Liabilities and Fund Balances	$ 6,587,336	$ 7,022,071	$ 5,714,098	$ 1,760,402	$ 21,083,907

MARTINEZ UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balance - governmental funds		$ 20,120,864
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation	$ 74,724,389 (34,782,437)	39,941,952
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(364,996)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
General obligation bonds payable	$ 20,415,000	
Other postemployment benefits payable	1,171,878	
Compensated absences payable	176,120	
		(21,762,998)
Total net assets-governmental activities		$ 37,934,822

MARTINEZ UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption	Other Governmental Funds	Total Governmental Funds
REVENUES					
Revenue Limit Sources:					
State Apportionments	$ 1,819,769			$ 13,006	$ 1,832,775
Local Sources	16,995,173				16,995,173
Total Revenue Limit	18,814,942			13,006	18,827,948
Federal Revenue	2,613,194			854,609	3,467,803
Other State Revenue	6,309,887		$ 28,234	30,609	6,368,730
Other Local Revenue	3,751,429	$ 234,809	4,251,931	1,570,468	9,808,637
Total Revenues	31,489,452	234,809	4,280,165	2,468,692	38,473,118
EXPENDITURES					
Certificated Salaries	15,131,439			1,582,017	16,713,456
Classified Salaries	3,588,038			838,459	4,426,497
Employee Benefits	6,493,063			654,413	7,147,476
Books and Supplies	1,233,156			671,835	1,904,991
Services and Other					
Operating Expenditures	2,752,684	1,009		776,792	3,530,485
Capital Outlay	49,451	477,697		301,870	829,018
Debt Service:					
Principal Retirement			3,030,000		3,030,000
Interest and Fiscal Charges			940,353	270	940,623
Other Outgo	246,085			40,992	287,077
Total Expenditures	29,493,916	478,706	3,970,353	4,866,648	38,809,623
Excess of Revenues Over (Under) Expenditures	1,995,536	(243,897)	309,812	(2,397,956)	(336,505)
Other Financing Sources (Uses):					
Operating Transfers In (Note 5)				2,495,346	2,495,346
Operating Transfers Out (Note 5)	(2,496,664)			(158)	(2,496,822)
Other Sources (Note 5)	600,000				600,000
Other Uses (Note 5)				(600,000)	(600,000)
Total Other Financing Sources (Uses)	(1,896,664)	0	0	1,895,188	(1,476)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	98,872	(243,897)	309,812	(502,768)	(337,981)
Fund Balances - July 1, 2009	5,768,210	7,192,871	5,404,286	2,093,478	20,458,845
Fund Balances June 30, 2010	$ 5,867,082	$ 6,948,974	$ 5,714,098	$ 1,590,710	$ 20,120,864

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances – Total governmental funds		$ (337,981)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlay: In governmental funds, the cost of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay:	$ 800,758	
Depreciation expense:	(2,323,463)	
		(1,522,705)
Debt service: 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. Expenditures for repayment of the principal portion of long-term debt were:		3,030,000
Unmatured interest on long-term debt: 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 owing from the prior period, was:		51,940
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:		29,680
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		(499,666)
Total change in net assets-governmental activities		$ 751,268

MARTINEZ UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	Private-Purpose Trust	Agency Fund
ASSETS		
Cash in County Treasury (Note 2)	$ 104,815	
Cash on Hand and in Bank (Note 2)		$ 261,536
Total Assets	$ 104,815	$ 261,536
LIABILITIES		
Liabilities:		
Due to Student Groups		$ 261,536
Total Liabilities	$ 0	$ 261,536
NET ASSETS		
Reserved for scholarships	$ 104,815	$ 0
Total Net Assets	$ 104,815	$ 0

MARTINEZ UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

		Private-Purpose Trust
Additions		
Gifts and Contributions	$	12,547
Interest		343
Transfers In (Note 5)		1,476
Total Additions		14,366
Deductions		
Scholarships Awarded		12,950
Change in Net Assets		1,416
Net Assets		
Net Assets - July 1, 2009		103,399
Net Assets - June 30, 2010	$	104,815

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District includes all funds that are controlled by or dependent on the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. 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 and its component units.

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus.

C. Basis of Accounting

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

Revenues - exchange and non-exchange transactions:

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Revenues - exchange and non-exchange transactions (Concluded):

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

Deferred revenue:

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

Expenses/expenditures:

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 expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation, 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

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

MAJOR GOVERNMENTAL FUNDS:

1. 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.

2. Special Reserve Fund for Capital Outlay Projects is used to account for resources committed to improvements and maintenance projects as determined by the Governing Board of the District.

3. Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal and related costs.

NON-MAJOR 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 non-major special revenue funds:

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

2. Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria fund.

3. Deferred Maintenance Fund is used for the purpose of major repairs or replacement of District property.

4. Special Reserve Fund for Postemployment Benefits is used to accumulate funds to pay retirees health care premiums, in accordance with District employment contracts.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

NON-MAJOR GOVERNMENTAL FUNDS (CONCLUDED):

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental fixed assets. The District maintains three non-major capital projects funds:

1. Building Fund is used to account for the acquisition of major government capital facilities and buildings from the sale of bonds.

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

3. County School Facilities Fund is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).

FIDUCIARY FUNDS:

Expendable Trust Funds are used to account for assets held by the District as trustee. The District maintains one expendable trust fund, the Private-Purpose Trust (Scholarship Fund), which is used to provide financial assistance to students of the District.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains six agency funds to account for the activities of the various Student Body clubs at the District.

The District maintains student body funds, which 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 amounts reported for student body funds represent the combined totals of all schools within the District.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles 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 Board of Education and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised are presented for the General Fund and Major Special Revenue Funds as required supplementary information in the financial statements.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting (Concluded)

The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account. The District has recorded budget transfers to make the final budget agree with actual revenues and expenditures. (See Note 3)

F. 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.

G. Estimates

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

H. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investments 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 either are secured by federal depository insurance or are collateralized.

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the District's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Concluded)

State Investment Pool - The District participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

Deposits and Investment Risk Disclosures - In accordance with GASB Statement No. 40, Deposit and Investment Disclosures (Amendment of GASB No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

2. Prepaid Expenditures

The District had 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 when the item is expensed.

3. Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5-50 years depending on the asset class.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

4. Deferred Revenue

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

5. Compensated Absences

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

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

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

7. Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

8. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

9. Fund Balance Reserves and Designations

The District's fund balances at June 30, 2010 consisted of the following:

	General Fund	Special Reserve Fund For Capital Outlay Projects	Bond Interest and Redemption	Other Governmental Funds	Total
Reserved For:					
Revolving Fund	$ 5,371			$ 5,000	$ 10,371
Debt Service			$ 5,714,098		5,714,098
Legally Restricted Balances	1,028,221				1,028,221
Unreserved:					
Designated for:					
Economic Uncertainties	937,258				937,258
General Fund	3,716,254				3,716,254
Undesignated Reported In:					
General Fund	179,978				179,978
Special Revenue Funds				$ 1,301,451	1,301,451
Capital Projects Funds		$ 6,948,974		284,259	7,233,233
Total Fund Balances	$ 5,867,082	$ 6,948,974	$ 5,714,098	$ 1,590,710	$ 20,120,864

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 reflects the portions of fund balance represented by revolving fund cash. 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 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Assets, Liabilities and Equity (Concluded)

10. Revenue Limit/Property Tax

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

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

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

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

The California Department of Education reduces the District's entitlement by the District 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.

I. New GASB Accounting Standard to be Adopted in the Future

In March, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions in an effort to improve the consistency in reporting fund balance components, enhance fund balance presentation, improve the usefulness of fund balance information, and clarify the definitions of the governmental fund types. The classification requirements in GASB 54 should improve financial reporting by providing fund balance categories and classifications that are more easily understood however, adoption of the new standard is not expected to have a material effect on the District's financial position, results of operations or cash flows. The requirements of GASB 54 are effective for financial statements for period beginning after June 15, 2010 making the new standard effective for the year ending June 30, 2011.

NOTE 2 - CASH AND INVESTMENTS

The District had the following cash and investments at June 30, 2010:

	Fair Value	Carrying Amount	Standard & Poor's Credit Quality Rating
Cash			
Cash on Hand and in Banks	$ 287,885	$ 287,885	Not Rated
Cash in Revolving Fund	10,371	10,371	Not Rated
Cash in County Treasury	8,209,427	8,194,027	Not Rated
Cash with Fiscal Agent			
California Asset Management Program JPA Cash Reserve Portfolio	1,402,878	1,402,878	AAA
Total Cash	9,910,561	9,895,161	
Investment			
Local Agency Investment Fund	6,805,473	6,794,305	Not Rated
US Treasury Strips	837,000	837,000	AAA
Total Investments	7,642,473	7,631,305	
Total Cash and Investments	$ 17,553,034	$ 17,526,466	

A. Cash on Hand, In Banks and in Revolving Fund

Cash balances on hand, in banks, and revolving funds are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). These amounts are held within various financial institutions. As of June 30, 2010, the carrying amount of the District's accounts was $298,256.

B. Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash with the County Treasury as part of the common investment pool, which totaled $8,194,027 (net of deficit cash $15,532 in the Cafeteria Fund) as of June 30, 2010. The fair market value of this pool as of that date, as provided by the pool sponsor, was $8,209,427. The District is considered to be an involuntary participant in the external investment pool. Interest is deposited into 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.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

C. Cash with Fiscal Agent

Cash with Fiscal Agent represents:

i) amounts on deposit California Asset Management Program Joint Power Authority for the District's future bond interest and principal repayment.

D. Investments

The District is authorized by State statutes and in accordance with the District's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies
- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

i) Investments in Local Agency Investment Funds (LAIF)

The District's investments with the Local Agency Investment Fund (LAIF), a State of California investment pool, at June 30, 2010, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2010, the District has $6,794,305 invested in LAIF, which had invested 10.84% of the pool investment funds in Structured Notes and Asset-Backed Securities. The District valued its investments in LAIF as of June 30, 2010, by multiplying its account balance with LAIF by a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 1.001643776 No adjustment from carrying amount to fair value was made, as this difference is insignificant.

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)

D. Investments (Concluded)

ii) US Treasury Strips

The Contra Costa County Auditor's general ledger reflects the District's Investment in Treasury Strips at the maturity value. The District has elected to record the investment balance at the maturity value to be consistent with the Contra Costa County Auditor's Office.

E. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2010:

Governmental Activities	Fiduciary Funds Statement of Net Assets	Total
$17,160,115	$366,351	$17,526,466

F. Interest Rate Risk

At June 30, 2010, the District had the following investment maturities:

		Investment Maturities (In Years)		
Investment Type	Fair Value	Less than 1	1 to 2	2 or more
County Treasury	$ 8,209,427	$ 6,729,267	$ 964,608	$ 515,552
California Asset Management Program JPA Cash Reserve Portfolio	1,402,878	1,402,878		
Local Agency Investment Fund	6,794,305	6,284,732	156,269	353,304
US Treasury Strips	837,000	837,000		
Total	$ 17,243,610	$ 15,253,877	$ 1,120,877	$ 868,856

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2010, expenditures exceeded appropriations in individual funds as follows:

	Excess Expenditures
Major Funds:	
General Fund	
Other Outgo	$ 32,037
Operating Transfers Out	1,476
Non-Major Funds:	
Cafeteria Fund	
Books, Supplies and Replacement Equipment	17,567
Building Fund	
Contract Services	4
Capital Facilities Fund	
Contract Services	14,482
County School Facilities	
Transfers Out	158

The District incurred unanticipated expenditures for which the budgets were not revised.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010 consist of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	All Other Governmental Funds	Total
Federal Government				
Categorical Aid Programs	$ 813,939		$ 175,516	$ 989,455
State Government				
Revenue Limit	202,870			202,870
Categorical Aid Programs	921,691			921,691
Lottery	250,879			250,879
Other State	930,694		4,690	935,384
Total State Government	2,306,134		4,690	2,310,824
Local Government	110,276	$ 203,000		313,276
Miscellaneous	200,704		94,001	294,705
Total Accounts Receivable	$ 3,431,053	$ 203,000	$ 274,207	$ 3,908,260

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.

Interfund Transfers

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

Interfund transfers for the 2009-2010 fiscal year were as follows:

	Transfers In	Transfers Out
Major Governmental Funds		
General Fund		$ 2,496,664
Non-Major Governmental Funds		
Adult Education Fund	$ 2,463,833	
Cafeteria Fund	31,355	
Capital Facilities Fund	158	
County School Facilities Fund		158
Fiduciary Funds		
Trust Fund	1,476	
Totals	$ 2,496,822	$ 2,496,822

Transfer of $31,355 from the General Fund to the Cafeteria Fund to supplement program expenditures.

Transfer of $2,463,833 from the General Fund to the Adult Education Fund for Adult Education State Apportionment received in the General Fund. Subsequently, the District transferred $600,000 from the Adult Education Fund to the General Fund as allowed by Tier III SBX3 4. Funds will be flexed and monitored in the General Fund.

Transfer of $158 from County School Facilities Fund to the Capital Facilities Fund to remaining fund balance.

Transfer of $1,476 from General Fund to the Foundation Private-Purpose Trust Fund for a scholarship paid in an earlier year.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2010, is shown below:

	Balance July 01, 2009	Additions	Deductions	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	$ 5,740,960			$ 5,740,960
Total capital assets, not being depreciated	5,740,960			5,740,960
Capital assets being depreciated:				
Buildings	56,870,766	$ 705,066		57,575,832
Improvements of sites	9,085,918	27,528		9,113,446
Equipment	2,225,987	68,164		2,294,151
Total capital assets, being depreciated	68,182,671	800,758		68,983,429
Less accumulated depreciation for:				
Buildings	25,170,907	1,777,055		26,947,962
Improvements of sites	5,788,400	436,625		6,225,025
Equipment	1,499,667	109,783		1,609,450
Total accumulated depreciation	32,458,974	2,323,463		34,782,437
Total capital assets, being depreciated, net	35,723,697	(1,522,705)		34,200,992
Governmental activities capital assets, net	$ 41,464,657	$ (1,522,705)	$ 0	$ 39,941,952

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
Unallocated	$2,323,463

NOTE 7 - GENERAL OBLIGATION BONDS

On June 6, 1995, the District received authorization from its voters to issue $23 million of General Obligation Bonds. The first series was issued in August 1995 in the aggregate principal amount of $11,999,914 (the "Series 1995 Bonds"). The second series was issued in August 1997 in the aggregate principal amount of $8,250,000 (the "Series 1997 Bonds"). The bonds were issued to raise money to be used to renovate Martinez Junior High School, modernize, construct, acquire or replace school facilities, improve school grounds, finance sewer and drainage projects for school property, and provide for long-term capital improvements district wide.

In 1998, the Martinez Unified School District issued General Obligation Bonds, Series 1998 (the "Series 1998 Bonds"), in the aggregate principal amount of $2,750,000 to raise money for acquisition and improvement of real property for authorized school purposes.

NOTE 7 - BONDED DEBT (CONTINUED)

In 2001, the Martinez Unified School District issued General Obligation Refunding Bonds (the "Refunding Bonds"), in the aggregate principal amount of $30,045,000 for the purpose of refunding the Martinez Unified School District's 1992 General Obligation Bonds which matured August 1, 2001 through August 1, 2014 and a portion of the General Obligation Bonds, Series 1995 ("Series 1995 Bonds").

The Bonds are payable solely from ad valorem property taxes levied and collected by the County of Contra Costa. The Board of Supervisors of the County has power and is obligated to annually levy ad valorem taxes for the payment of interest on, and principal of, upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates).

As described above, the District has defeased various General Obligation Bonds issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the advanced refunding met the requirements of an in-substance debt defeasance and therefore removed as a liability from the District's government-wide financial statements.

The outstanding general obligation debt of the Martinez Unified School District at June 30, 2010, is:

Current Interest Bonds

A schedule of changes in the District's current interest general obligation bonds is as follows:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2009	Redeemed Current Year	Outstanding June 30, 2010
1997	3.8-5.0	2015	$ 8,250,000	$ 3,705,000	$ 545,000	$ 3,160,000
1998	4.0-10.0	2015	2,750,000	1,270,000	190,000	1,080,000
2001	2.875-4.375	2015	30,045,000	18,470,000	2,295,000	16,175,000
Totals			$ 41,045,000	$ 23,445,000	$ 3,030,000	$ 20,415,000

NOTE 7 - BONDED DEBT (CONCLUDED)

Current Interest Bonds (Concluded)

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2010 are as follows:

Year Ended June 30	Principal	Interest	Total
2011	$ 3,285,000	$ 808,052	$ 4,093,052
2012	3,550,000	666,459	4,216,459
2013	3,865,000	510,457	4,375,457
2014	5,505,000	308,469	5,813,469
2015	4,210,000	94,413	4,304,413
Totals	$ 20,415,000	$ 2,387,850	$ 22,802,850

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS

The Martinez Unified School District accounts for postemployment benefits under GASB Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pension. This accounting requires the District to report its liability for other postemployment benefits (OPEB) consistent with newly established generally accepted accounting principles by reflecting an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

Plan Description

The District provides retiree health benefits based on age and service. Following is a description of the current retiree benefit plan. Some retirees are entitled to benefits under prior grandfathered plans.

	Certificated	Classified	Management	Confidential and Supervisors
Benefits types provided	Medical and Dental	Medical, Dental and Vision	Medical and Dental	Medical, Dental and Vision
Duration of Benefits	To age 65	To age 65	To age 65	To age 65
Required Service	15 years	15 years	15 years	15 years
Minimum Age	55	55	55	55
Dependent coverage	No	No	No	No
District Contribution %	100%	100%	100%	100%
District Cap	Kaiser Single for Medical	Kaiser Single for Medical	Kaiser Single for Medical	Kaiser Single for Medical

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Policy

Employees are not required to contribute to the plan. In order to fully fund the plan, the District would be required to contribute the annual required contribution of the employer (ARC), an 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 District's policy is to pay the benefits as a cash outlay after retirement (the pay-as-you-go method). However, at June 30, 2010, the District designated $625 thousand in the Special Reserve Fund for Postemployment Benefits for the payment of future postemployment benefits.

Annual OPEB Cost

For fiscal year ended June 30, 2010, the District's annual OPEB cost (expense) was $979,398. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the first two years of implementing the standard was as follows:

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	$982,433	49.1%	$1,171,878
2009 (transition year)	$945,159	28.9%	$672,212

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 to the Plan:

Annual required contribution	$ 979,378
Interest on OPEB Obligation	33,610
Adjustment to annual required contribution	(30,555)
Annual OPEB cost (expense)	982,433
Payments made	(482,767)
Increase in net OPEB obligation	499,666
Net OPEB obligation-beginning of year	672,212
Net OPEB obligation-end of year	$1,171,878

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (CONCLUDED)

Funding Status and Funding Progress

As of March 1, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $9.7 million, all of which is unfunded.

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

The funded status of the plan as of March 1, 2010 was as follows:

Actuarial accrued liability (AAL)	$9,734,922
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	$9,734,922
Funded ratio (actuarial value of plan assets/AAL)	0.00%

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 benefits 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 March 1, 2010, actuarial valuation, the "entry age normal" actuarial cost method was used. The actuarial assumptions included a 5.0% investment rate of return, an annual healthcare cost trend rate of 4% per year, and an assumed payroll increase rate of 3%. The UAAL is being amortized using the level percentage of projected payroll method using a 30-year amortization period. The remaining amortization period at June 30, 2010, was twenty-eight years.

NOTE 9 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2010, is shown below.

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Due Within One Year
General Obligation Bonds	$ 23,445,000		$ 3,030,000	$ 20,415,000	$ 3,285,000
Compensated Absences	205,800		29,680	176,120	176,120
Other Postemployment Benefits	672,212	$ 982,433	482,767	1,171,878	0
Totals	$ 24,323,012	$ 982,433	$ 3,542,447	$ 21,762,998	$ 3,461,120

The compensated absences and Other Postemployment Benefits will be paid by the General Fund. Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local revenues.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS

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

A. State Teachers' Retirement System (STRS)

Plan Description. The Martinez 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, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy. Active plan members are required to contribute 8.0% of their salary and the Martinez 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 2009-2010 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The Martinez Unified School District's contributions to STRS for the fiscal year ending June 30, 2010, 2009, and 2008 were $1,300,547, $1,354,879 and $1,826,582, respectively, and equal 100% of the required contributions for each year.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees Retirement System (CalPERS)

Plan Description. The Martinez 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 Q Street, Room 1820, Sacramento, CA 95814.

Funding Policy. Active plan members are required to contribute 7.0% of their salary and the Martinez 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 fiscal 2009-2010 was 9.709% of annual payroll. The contribution requirements of the plan members are established by State statute. The Martinez Unified School District's contributions to CalPERS for the fiscal year ending June 30, 2010, 2009 and 2008 were $411,621, $422,366 and $343,171, respectively and equal 100% of the required contributions for each year.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security.

D. On Behalf Payment

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS and contributions to PERS for the year ended June 30, 2010. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local education agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

NOTE 11 - STUDENT BODY FUNDS

The Student Body Funds often engage in activities, which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

A. 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. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

B. Joint Ventures

The District participates in four joint ventures under joint powers agreements (JPAs); the Contra Costa County Schools Insurance Group (CCCSIG) for workers' compensation insurance; the Contra Costa and Solano Counties School Districts' Self-Insurance Authority (CCSCSDSIA) for property and liability insurance, Schools Excess Liability Fund (SELF) for excess liability, property, and workers' compensation coverage, and Schools Self-Insurance of Contra Costa County (SSICCC) for dental and vision. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPA arranges for and/or provides coverage for its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

NOTE 13 - SUBSEQUENT EVENT

A. General Obligation Bonds

On November 2, 2010 the registered voters of the District authorized the issuance of $45,000,000 principal amount of General Obligation Bonds of the District. The bonds will be issued for construction projects to improve classroom and support facilities, enhance technology, repair and replace leaking roofs at school sites.

NOTE 13 - SUBSEQUENT EVENT (CONCLUDED)

B. Software Implementation

The District along with the County Office of Education and other districts in Contra Costa County have awarded a contract to Tyler Technologies to provide a new integrated financial management and human resource software system called Munis. The new Munis software will replace the District's current financial, payroll and HR system. The implementation of this system will provide significant opportunities to modernize financial functions, improve budget/position monitoring and more effectively use technologies such as automated workflow and document imaging. The District is in the process of implementation and plans to be fully implemented by July 2011.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

MARTINEZ UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget Positive-(Negative)
REVENUES				
Revenue Limit Sources:				
State Apportionments	$ 2,211,302	$ 2,100,895	$ 1,819,769	$ (281,126)
Local Sources	17,886,936	16,982,167	16,995,173	13,006
Total Revenue Limit	20,098,238	19,083,062	18,814,942	(268,120)
Federal Revenue	1,413,203	2,613,294	2,613,194	(100)
Other State Revenue	3,494,908	6,399,398	6,309,887	(89,511)
Other Local Revenue	2,105,740	3,748,017	3,751,429	3,412
Total Revenues	27,112,089	31,843,771	31,489,452	(354,319)
EXPENDITURES				
Certificated Salaries	14,414,633	15,244,424	15,131,439	112,985
Classified Salaries	3,459,478	3,588,047	3,588,038	9
Employee Benefits	6,387,730	6,529,284	6,493,063	36,221
Books and Supplies	1,031,492	1,258,884	1,233,156	25,728
Services and Other Operating Expenditures	2,796,906	2,754,130	2,752,684	1,446
Capital Outlay	5,000	54,154	49,451	4,703
Other Outgo	82,305	214,048	246,085	(32,037)
Total Expenditures	28,177,544	29,642,971	29,493,916	149,055
Excess of Revenues Over (Under) Expenditures	(1,065,455)	2,200,800	1,995,536	(205,264)
Other Financing Sources (Uses):				
Operating Transfers In				
Operating Transfers Out		(2,495,188)	(2,496,664)	(1,476)
Other Sources		600,000	600,000	
Total Other Financing Sources (Uses)	0	(1,895,188)	(1,896,664)	(1,476)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,065,455)	305,612	98,872	(206,740)
Fund Balances - July 1, 2009	3,852,269	5,768,210	5,768,210	0
Fund Balances - June 30, 2010	$ 2,786,814	$ 6,073,822	$ 5,867,082	$ (206,740)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SUPPLEMENTARY INFORMATION SECTION

MARTINEZ UNIFIED SCHOOL DISTRICT

MARTINEZ, CALIFORNIA

JUNE 30, 2010

ORGANIZATION

The Martinez Unified School District was unified in 1963. The District encompasses an area of approximately 24 square miles in Contra Costa County. There was no change in the District boundaries during the year. The District operates four elementary schools, one junior high school, one high school, one continuation high school, a full-time independent study program school, and an adult school.

GOVERNING BOARD

Name	Office	Term Expires
Kathi McLaughlin	President	November, 2012
Vicki Gordon	Vice-President	November, 2010
Denise Elsken	Member	November, 2012
Ron Skrehot	Member	November, 2010
John Fuller	Member	November, 2012

ADMINISTRATION

Rami Muth
Superintendent

Liz Robbins
Chief Business Official

MARTINEZ UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Second Period Report	Annual Report
Elementary		
Kindergarten	279	277
First through Third	785	784
Fourth through Sixth	769	769
Seventh and Eighth	561	560
Special Education	75	74
Extended Year	1	1
Home and Hospital	2	2
Total Elementary	2,472	2,467
High School		
Nine through Twelve	1,226	1,214
Continuation Education	71	71
Special Education	43	41
Extended Year	2	2
Home & Hospital	1	2
Total High School	1,343	1,330
Totals	3,815	3,797

Average daily attendance is a measurement of the numbers 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 the school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

MARTINEZ UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Grade Level	1986-87 Minutes Requirement	1982-83 Actual Minutes	2009-2010 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	31,680	36,000	180	In compliance
Grade 1	50,400	50,490	53,760	180	In compliance
Grade 2	50,400	50,490	53,760	180	In compliance
Grade 3	50,400	50,490	53,760	180	In compliance
Grade 4	54,000	48,830	55,440	180	In compliance
Grade 5	54,000	48,830	55,440	180	In compliance
Grade 6	54,000	48,830	57,540	180	In compliance
Grade 7	54,000	51,169	57,540	180	In compliance
Grade 8	54,000	51,169	57,540	180	In compliance
Grade 9	64,800	56,520	66,092	180	In compliance
Grade 10	64,800	56,520	66,141	180	In compliance
Grade 11	64,800	56,520	66,227	180	In compliance
Grade 12	64,800	56,520	65,571	180	In compliance

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

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

MARTINEZ UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit. There were no charter schools in the Martinez Unified School District.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Program Name:	Federal Catalog Number	Pass-Through Entity Identifying Number	Revenue Recognized	Program Expenditures
US Department of Agriculture:				
Passed Through California Department of Education (CDE): **				
National School Lunch	10.555	13391	$ 313,682	$ 313,682
Especially Needy School Breakfast	10.553	13390	60,181	60,181
ARRA Equipment Assistance Grant	10.579	14906	13,094	13,094
Total US Department of Agriculture			386,957	386,957
US Department of Education:				
Passed Through CDE:				
NCLB: Title I, Part A, Basic Grants	84.010*	14329	214,001	214,001
NCLB: ARRA Title I, Part A, Basic Grants	84.389*	15005	146,150	146,150
NCLB: Title II, Improving Teacher Quality	84.367*	14341	132,762	132,762
NCLB: Title III, Limited English Proficiency (LEP) Student Program	84.365	10084	30,000	30,000
NCLB: Title IV, Part A, Safe and Drug Free Schools and Communities, Formula Grants	84.186	14347	2,421	2,421
Special Education:				
IDEA Basic Local Assistance Entitlement, Part B	84.027*	13379	618,733	618,733
IDEA Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A*	13682	43,999	43,999
ARRA IDEA Part B, Preschool Local Entitlement	84.391*	15002	48,144	48,144
ARRA IDEA Part B, Preschool Grants	84.392*	15000	27,463	27,463
ARRA IDEA Part B, Basic Local Assistance	84.391*	15003	651,738	651,738
IDEA Part B, Preschool Grants	84.173*	13430	17,303	17,303
ARRA State Fiscal Stabilization Fund	84.394*	25008	272,152	1,588,741
Vocational Programs: Postsecondary and Adult II, C, (Carl Perkins Act)	84.048	14893	211,993	211,993
Vocational Programs: Vocational & Applied Tech Secondary II C, (Carl Perkins Act)	84.048	13924	19,078	19,078
Adult Education:				
Adult Basic Education - ESL	84.002A	14508	38,620	38,620
Adult Secondary Education	84.002	13978	15,563	15,563
English Literacy & Civics	84.002A	14109	26,277	26,277
Federal Pell Grant Program	84.063	N/A	72,230	72,230
Workability II, Transitions Partnership	84.158	10006	156,001	156,001
Other ARRA Programs - Basic Support	84.390A	N/A	19,198	19,198
Received Direct:				
Indian Education (From Federal Government)	84.060A	10011	130,380	130,380
Total US Department of Education			2,894,206	4,210,795
US Department of Health and Human Services:				
Passed Through CDE:				
Medi-Cal Billing Option	93.778	10013	1,367	1,367
Medi-Cal Administrative Activities	93.778	10060	185,273	185,273
Total US Department of Health and Human Services			186,640	186,640
Total Federal Programs			$ 3,467,803	$ 4,784,392

* Denotes a major program.

** The total fair market value of commodities received was not included, and in 2009-2010 was valued at $42,318.

SEE NOTES TO SUPPLEMENTARY INFORMATION

Auditor's Comments

The audited financial statements of all funds were in agreement with the Unaudited Actuals for the year ended June 30, 2010.

MARTINEZ UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

General Fund	Budget 2010-2011	2009-2010	2008-2009	2007-2008
Revenues and Other Financial Sources	$ 28,461,795	$ 32,089,452	$ 31,556,124	$ 31,092,827
Expenditures	27,692,614	29,493,916	29,712,791	30,902,671
Other Uses and Transfers Out	1,486,491	2,496,664	215,504	221,137
Total Outgo	29,179,105	31,990,580	29,928,295	31,123,808
Change in Fund Balance (Deficit)	(717,310)	98,872	1,627,829	(30,981)
Ending Fund Balance	$ 3,611,410	$ 5,867,082	$ 5,768,210	$ 4,140,381
Available Reserves	$ 3,278,786	$ 1,117,236	$ 937,258	$ 934,000
Designated for Economic Uncertainties	$ 937,258	$ 937,258	$ 937,258	$ 934,000
Undesignated Fund Balance	$ 2,341,528	$ 179,978	$ 0	$ 0
Available Reserves as a Percentage of Total Outgo	11.2%	3.5%	3.1%	3.0%
Total Long-Term Debt	$ 18,301,878	$ 21,762,998	$ 24,323,012	$ 26,427,075
Average Daily Attendance at P-2 (excluding Adult Education)	3,790	3,815	3,794	3,856

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

The District General Fund balance has increased $1,695,720 during the past three years. A decrease of $713,710 is expected for 2010-2011. For a District this size the state recommends available reserves of 3% of total expenditures, transfers out and other outgo (total outgo).

General long-term debt has decreased by $4,664,077 during the past two years. Average daily attendance has decreased by 41 ADA during the past two years.

MARTINEZ UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
JUNE 30, 2010

	Adult Education	Cafeteria	Deferred Maintenance	Special Reserve Fund for Post-Employment Benefits	Building	Capital Facilities	Totals
ASSETS							
Cash in County Treasury	$ 351,548		$ 190,124	$ 624,333	$ 14,062	$ 261,340	$ 1,441,407
Cash on Hand and in Bank	23,251	$ 3,098					26,349
Cash in Revolving Fund	5,000						5,000
Investments					920	12,519	13,439
Accounts Receivable	159,200	115,007					274,207
Total Assets	$ 538,999	$ 118,105	$ 190,124	$ 624,333	$ 14,982	$ 273,859	$ 1,760,402
LIABILITIES AND FUND BALANCES							
Liabilities:							
Deficit Cash Balance		$ 15,532					$ 15,532
Accounts Payable	$ 11,167	73,522	$ 10,102			$ 4,582	99,373
Deferred Revenue	54,787						54,787
Total Liabilities	65,954	89,054	10,102			4,582	169,692
Fund Balances:							
Reserved	5,000						5,000
Unreserved							
Undesignated	468,045	29,051	180,022	$ 624,333	$ 14,982	269,277	1,585,710
Total Fund Balances	473,045	29,051	180,022	624,333	14,982	269,277	1,590,710
Total Liabilities and Fund Balances	$ 538,999	$ 118,105	$ 190,124	$ 624,333	$ 14,982	$ 273,859	$ 1,760,402

MARTINEZ UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Adult Education	Cafeteria	Deferred Maintenance	Special Reserve Fund for Post-Employment Benefits	Building	Capital Facilities	County School Facilities	Totals
REVENUES								
Revenue Limit Sources:								
State Apportionment		$ 13,006						$ 13,006
Federal Sources:								
Child Nutrition Program	$ 467,652	386,957						854,609
Other State Sources:								
State Nutrition Program		30,609						30,609
Other Local Sources:								
Food Service Sales	876,066	549,628						1,425,694
Interest	2,189		$ 1,007	$ 2,148	$ 53	$ 895		6,292
Other						138,482		138,482
Total Revenues	1,345,907	980,200	1,007	2,148	53	139,377		2,468,692
EXPENDITURES								
Certificated Salaries	1,582,017							1,582,017
Classified Salaries	575,885	262,574						838,459
Employee Benefits	560,802	93,611						654,413
Books and Supplies	224,209	440,913	362			6,351		671,835
Services and Other Operating Expenditures	537,995	145,771	10,910		4	82,112		776,792
Capital Outlay		13,094	288,776					301,870
Debt Service:								
Interest and Fiscal Charges		270						270
Other Outgo		40,992						40,992
Total Expenditures	3,480,908	997,225	300,048	0	4	88,463		4,866,648
Excess of Revenues Over (Under) Expenditures	(2,135,001)	(17,025)	(299,041)	2,148	49	50,914		(2,397,956)
Other Financing Sources:								
Operating Transfers In	2,463,833	31,355				158		2,495,346
Operating Transfers Out							$ (158)	(158)
Other Uses	(600,000)							(600,000)
Total Other Financing Sources (Uses)	1,863,833	31,355	0	0	0	158	(158)	1,895,188
Excess of Revenues and Other Sources Over (Under) Expenditures	(271,168)	14,330	(299,041)	2,148	49	51,072	(158)	(502,768)
Fund Balances-July 1, 2009	744,213	14,721	479,063	622,185	14,933	218,205	158	2,093,478
Fund Balances-June 30, 2010	$ 473,045	29,051	$ 180,022	$ 624,333	$ 14,982	$ 269,277	$ 0	$ 1,590,710

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND – STUDENT BODY
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Beginning Balances	Additions	Deductions	Ending Balances
ALHAMBRA HIGH SCHOOL				
ASSETS				
Cash	$ 172,189	$ 754,543	$ 747,270	$ 179,462
LIABILITIES				
Due to Student Groups	$ 172,189	$ 754,543	$ 747,270	$ 179,462
MARTINEZ JUNIOR HIGH SCHOOL				
ASSETS				
Cash	$ 85,827	$ 413,964	$ 436,431	$ 63,360
LIABILITIES				
Due to Student Groups	$ 85,827	$ 413,964	$ 436,431	$ 63,360
LAS JUNTAS SCHOOL				
ASSETS				
Cash	$ 6,727	$ 14,207	$ 17,878	$ 3,056
LIABILITIES				
Due to Student Groups	$ 6,727	$ 14,207	$ 17,878	$ 3,056
MORELLO PARK SCHOOL				
ASSETS				
Cash	$ 3,433	$ 16,856	$ 18,618	$ 1,671
LIABILITIES				
Due to Student Groups	$ 3,433	$ 16,856	$ 18,618	$ 1,671
JOHN MUIR ELEMENTARY SCHOOL				
ASSETS				
Cash	$ 12,199	$ 14,236	$ 12,901	$ 13,534
LIABILITIES				
Due to Student Groups	$ 12,199	$ 14,236	$ 12,901	$ 13,534
JOHN SWETT SCHOOL				
ASSETS				
Cash	$ 0	$ 7,740	$ 7,288	$ 452
LIABILITIES				
Due to Student Groups	$ 0	$ 7,740	$ 7,288	$ 452
TOTAL AGENCY FUNDS				
ASSETS				
Cash	$ 280,375	$ 1,221,546	$ 1,240,386	$ 261,535
LIABILITIES				
Due to Student Groups	$ 280,375	$ 1,221,546	$ 1,240,386	$ 261,535

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object.

B. Schedule of Average Daily Attendance

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.

C. Schedule of Instructional Time

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

D. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

E. Schedule of Expenditures of Federal Awards

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

F. Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

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

G. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District.

H. Combining Statements and Individual Fund Schedules

Combining statements and individual fund schedules are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements and schedules present more detailed information about the financial position and financial activities of the District's individual funds.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP

CERTIFIED PUBLIC ACCOUNTANTS

JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA

REPORT ON STATE COMPLIANCE

Board of Trustees
Martinez Unified School District
Martinez, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Martinez Unified School District, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 13, 2010.

We conducted our audit 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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2009-10*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Description	Procedures in the Audit Guide	Procedures Performed
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable

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Description	Procedures in the Audit Guide	Procedures Performed
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
GANN Limit calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Class Size Reduction (Including 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
Charter Schools:		
Contemporaneous Records of Attendance	1	Not Applicable
Mode of Instruction, for charter schools	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instructional Minutes - Classroom Based	3	Not Applicable

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

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

Goodell, Porter, Sanchez & Bright, LLP

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 13, 2010

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA

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
Martinez Unified School District
Martinez, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Martinez Unified School District as of and for the year ended June 30, 2010, which collectively comprise the Martinez Unified School District's basic financial statements and have issued our report thereon dated December 13, 2010. 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 Martinez Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Martinez Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Martinez Unified School District's internal control over financial reporting.

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

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as findings 2010-1, 2010-2, 2010-3, 2010-4 and 2010-5 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

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

Martinez Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Martinez Unified School District's responses and, accordingly, we express no opinion on them.

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

Goodell, Porter, Sanchez & Bright, LLP

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 13, 2010

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
CERTIFIED PUBLIC ACCOUNTANTS

JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA

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

Board of Education
Martinez Unified School District
Martinez, California

Compliance

We have audited Martinez Unified School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Martinez Unified School District's major federal programs for the year ended June 30, 2010. Martinez Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Martinez Unified School District's management. Our responsibility is to express an opinion on Martinez 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 Martinez 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 reasonable basis for our opinion. Our audit does not provide a legal determination of Martinez Unified School District's compliance with those requirements.

In our opinion, Martinez Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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9727 Elk Grove-Florin Road • Suite 150 • Elk Grove, CA 95624 • (916) 685-8775 • FAX (916) 685-4380

Board of Education
Martinez Unified School District
Page Two

Internal Control Over Compliance

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

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

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described as finding 2010-6 in the accompanying schedule of findings and questioned costs be a significant deficiency.

Martinez Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Martinez Unified School District's responses and, accordingly, we express no opinion on them.

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

Goodell, Porter, Sanchez & Bright, LLP
GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 13, 2010

FINDINGS AND QUESTIONED COSTS SECTION

MARTINEZ UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST

JUNE 30, 2010

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 that are not considered to be material weakness?	_x_ Yes	___ None reported
Noncompliance material to financial statements noted?	___ Yes	_x_ No

Federal Awards

Internal control over financial reporting:		
Material weakness(es) identified?	___ Yes	_x_ No
Significant deficiency(ies) identified that are not considered to be material weakness?	_x_ Yes	___ 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 Section 510 (a) of OMB Circular A-133?	___ Yes	_x_ No

Identification of major programs

CFDA Number	Name of Federal Program or Cluster
84.010, 84.389	NCLB: Title I, Basic Grants Cluster
84.367	NCLB: Title II, Teacher Quality
84.027, 84.027A, 84.173	Special Education Program Cluster
84.391, 84.392	
84.394	ARRA State Fiscal Stabilization Fund

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

State Awards

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

Section II - Financial Statements Findings

2010 - 1 - DOCUMENTING JOURNAL ENTRIES APPROVAL - 30000

Specific Requirement That Was Not Complied With: Sound accounting practices require an internal accounting control system be in place to ensure each journal entry is complete, accurate, and approved by a knowledgeable individual prior to posting to the general ledger.

Finding: During the testing of journal entries we noted two individuals create, post and approve journal entries in the Business Office. The supporting documentation for the entries does not always list the employees responsible for recording and approving the entries.

Effect: Although we did not find any material misstatements in the general ledger, unless each entry is reviewed and approved by a knowledgeable District employee, a mistake could be made, intentionally or unintentionally, in creating or posting an entry and go undetected.

Recommendation: We recommend documentation be maintained as support for each journal entry posted by the District which identifies the individual posting the entry as well as identifying the individual approving the entry and the approval date of the journal entry.

District Response: The District has only two employees that enter journal entries. We will ensure that each journal entry is signed by an individual not entering the journal and will include an approval date.

2010 - 2 - CASH RECEIPTS - 30000

Specific Requirement That Was Not Complied With: Sound accounting practices require timely deposits to ensure adequate control over District assets.

Finding: During our testing of internal controls over cash receipts, we noted various deposits held at the school sites and with individuals at the District Office for more than a month, before being sent to the County Treasury for deposit. We noted twenty-four checks included in twelve deposits selected for testing were held for more than a month at the school before being recorded and deposited by the District.

Effect: The retention of cash receipts at the sites or the District Office increases the chance of misappropriation, decreases the effectiveness of internal controls and causes the District to lose the interest it would otherwise earn if the monies were deposited regularly and in a timely manner.

Recommendation: To ensure District assets are protected and to ensure the District receives the maximum earnings on District assets, deposits should be made more frequently. Deposits should be made at least weekly or more frequently if a large number of checks are received.

Section II - Financial Statements Findings (Continued)

2010 - 2 - CASH RECEIPTS - 30000 (CONCLUDED)

District Response: The District will reinforce policies and procedures already established to ensure that cash received is deposited in a more timely manner.

2010- 3 - COMPENSATED ABSENCE LIABILITY - 60000

Specific Requirement That Was Not Complied With: District policy allows employees to carryover a maximum of 120 hours of unused vacation. It was agreed on June 30, 2005 that employees with excess vacation balance should bring their vacation balance down to 65% of their June 30, 2005 ending balance by fiscal year 2008-2009.

Finding: During our testing of compensated absences, we determined there were twenty-seven employees with June 30, 2010 vacation balances that exceed 120 hours and 65% of their June 30, 2005 balance.

Effect: If employees with substantial vacation balance left the District and the District had to pay the employee the accumulated vacation time, the financial impact to the District could be significant.

Recommendation: We recommend the District enforce the existing policy to use excess time by the end of each fiscal year. In the future, the policy could be revised to provide for a "use or lose" policy or an annual pay-off for excess time accrued.

District Response: The District agrees with the finding and will review the list of employees with vacation carryover time. The District will require employees to comply with the long-standing District policy of only allowing a maximum carryover of 15 vacation days. The District will work with affected employees to reduce their excess carryover over the next three fiscal years.

2010 - 4 - ASSOCIATED STUDENT BODY - 30000

Specific Requirement That Was Not Complied With: Sound accounting policies require records to be maintained for all transactions to provide an adequate audit trail. In addition, account reconciliation between the checkbook and monthly bank statements should be completed in a timely manner.

Section II - Financial Statements Findings (Continued)

2010 - 4 - ASSOCIATED STUDENT BODY - 30000 (CONCLUDED)

Finding: During our testing of student body we found the following:

1. Morello Park - We determined bank reconciliations were not completed in a timely manner.
2. Las Juntas - While we noted the school site implemented accounting software to improve recordkeeping, we determined bank reconciliations were not reconciled to their check register. In addition, transactions were missing from the student activity report.
3. John Swett - We noted one of two deposits selected were not deposited in a timely manner.

Effect: Inadequate controls over the various student body accounts may result in errors, misappropriation or misuse of funds, in which case the District would be liable to reimburse the student accounts for any losses.

Recommendation: We recommend the District implement procedures at all sites with student body accounts that will establish appropriate and consistent internal controls. These procedures should require the maintaining of current records, including bank reconciliations.

District Response: The District will reinforce policies and procedures already established to ensure appropriate and consistent internal controls. The District will continue to enforce practices to address the findings and provide the appropriate training.

2010 - 5 - FIXED ASSET INVENTORY - 20000

Specific Requirement That Was Not Complied With: The GASB 34 Accounting Model requires the District to maintain current accurate inventory records for presentation on the annual entity-wide financial statements.

Finding: In complying with GASB 34, the District completed an inventory of land, buildings, improvements and equipment with an original cost of $5,000 or greater. During our audit we noted the District had not completed a physical inventory to confirm the items listed on the inventory still exist and are in use by the District.

Effect: Without completing regular physical inventory observations, the District may not have control over equipment and other assets. Items that are missing or otherwise no longer in use, may not come to the attention of District personnel unless a physical inventory is performed to confirm the amounts listed on the inventory exist and are in use by the District.

Section II - Financial Statements Findings (Concluded)

2010 - 5 - FIXED ASSET INVENTORY - 20000

Recommendation: We recommend the District implement procedures that ensure the fixed asset list is verified by performing annual physical inventories. It may not be necessary to conduct the inventory each year for every site, however, the procedures should ensure that during a three-year cycle, all District sites have performed a physical inventory. Differences between the asset lists and the actual inventory observation should be reviewed and the asset lists corrected based on the physical inventory.

District Response: In the last quarter of 2009-2010, Associated Valuation Services (AVS) was contracted to assist the District in physical inventory of assets and enter them into an asset tracking system. The District is currently working to verify physical inventory at each school site.

Section III – Federal Award Findings and Questioned Costs

2010 - 6 – FEDERAL EQUIPMENT - 50000

Federal Program:	NCLB: Title I and AARA Title I Program
CFDA Number:	84.010, 84.389

Specific Requirement That Was Not Complied With: Section 80.32 (c) of the Education Department General Administrative Regulations (EDGAR) require that the grantees and sub-grantees maintain controls over equipment through a compliant inventory management system. Elements of a compliant inventory management system are as follows:

1. Description of equipment.
2. Manufacturer's serial number, model number, federal stock number, national stock number, or other identification number.
3. Source of the equipment, including the award number.
4. Whether title vests in the recipient or the federal government
5. Acquisition date (or date received, if the equipment was furnished by the federal government).
6. Information from which one can calculate the percentage of federal participation in the cost of the equipment (not applicable to equipment furnished by the federal government).
7. Location and condition of the equipment and the date the information was reported.
8. Unit acquisition cost.
9. Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair value where a recipient compensates the federal awarding agency for its share.

Section III – Federal Award Findings and Questioned Costs (Concluded)

2010 - 6 – FEDERAL EQUIPMENT - 50000 (CONCLUDED)

Finding: During our examination of expenditures for federal awards we noted the District purchased fifty-seven (57) computers for the NCLB: Title I Program with federal funds. The following were noted:

1. The computers were not included in the District's equipment inventory list at June 30, 2010.
2. During 2009-2010, the District hired a consultant to conduct annual physical inventories of equipment; however equipment had not been updated at the end of June 30, 2010.

Amount of Questioned Costs and How Computed: There are no questioned costs as a result of this finding. We determined the computers were delivered to the District before June 30, 2010. Although the computers had not been put in use, they had been earmarked by the District for use in conducting Title I programs.

Effect: Unless federal equipment inventory procedures are followed, the District is unable to demonstrate control over the expenditure of federal awards. An unallowable charge to a federal program could occur and not be detected by an employee performing their regular duties.

Recommendation: We recommend the District adopt the requirements of Section 80.32 (c) of EDGAR for equipment acquired under federal awards. Equipment records should be updated throughout the year to ensure control over equipment purchased with federal awards. Additionally, the inventory records should be verified annually by performing a physical inventory.

District Response: In the last quarter of 2009-1010, Associated Valuation Services (AVS) was contracted to assist the District in a physical inventory of assets and enter them into an asset tracking system. The District will begin adding the funding source in AVS to items that were purchased from federal funds.

Section IV – State Award Findings and Questioned Costs

No matters are reported.

MARTINEZ UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2010

Findings/Recommendations	Current Status	Explanation if Not Fully Implemented
1. Deposits should be made at least weekly or more frequently if a large number of checks are received.	Accepted Not Implemented	See current year finding 2010-2
2. A complete inventory of equipment at all sites should be taken at least once every 3 years. The equipment inventory listing should be adjusted based on the results of the physical inventory.	Accepted Partially Implemented	See current year finding 2010-5
3. The District should develop procedures for employees with unused vacation hours in excess of the maximum allowed by District policy.	Accepted Not Implemented	See current year finding 2010-3
4. The District should implement procedures at all sites with student organizations that will establish appropriate and consistent internal controls.	Accepted Implemented	
5. Each employee with any portion of their salary charged to a federal program should complete personnel activity reports (PARs) as required by the OMB Circular A-87.	Accepted Implemented	

APPENDIX C

PROPOSED FORMS OF OPINIONS OF BOND COUNSEL

Upon the delivery of the Series 2011 New Money Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series 2011 New Money Bonds in substantially the following form:

[Delivery Date]

Martinez Unified School District
Martinez, California

Martinez Unified School District
<u>General Obligation Bonds, Election of 2010, Series 2011</u>
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Martinez Unified School District (the "District"), which is located in the County of Contra Costa (the "County"), in connection with the issuance by the District of $24,998,562.75 aggregate initial principal amount of bonds designated as "Martinez Unified School District General Obligation Bonds, Election of 2010, Series 2011" (the "Series 2011 Bonds"), authorized at an election held in the District on November 2, 2010. The Series 2011 Bonds are issued under and pursuant to a resolution of the Board of Education of the District adopted on April 11, 2011 (the "Resolution").

In such connection, we have reviewed the Resolution, the Tax Certificate of the District, dated the date hereof (the "Tax Certificate"), 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 speaks only as of its date and 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 Series 2011 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the 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 Series 2011 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 Series 2011 Bonds, the 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 foregoing documents. We also express no opinion regarding any accreted value table or calculation set forth or referred to in any of the Series 2011 Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated May 10, 2011, or other offering material relating to the Series 2011 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 Series 2011 Bonds constitute valid and binding obligations of the District.

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

3. The Board of Supervisors of the County has power and is obligated to levy *ad valorem* taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Series 2011 Bonds and the interest thereon.

4. Interest on the Series 2011 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 Series 2011 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

Upon delivery of the Series 2011 Refunding Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final opinion in substantially the following form:

[Delivery Date]

Martinez Unified School District
Martinez, California

Martinez Unified School District
General Obligation Refunding Bonds, Series 2011
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Martinez Unified School District (the "District"), which is located in the County of Contra Costa (the "County"), in connection with the issuance by the District of $13,075,000 aggregate principal amount of Martinez Unified School District General Obligation Refunding Bonds, Series 2011 (the "Series 2011 Bonds"), pursuant to the Paying Agent Agreement, dated as of May 1, 2011 (the "Paying Agent Agreement"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent"). Capitalized undefined terms used herein have the meanings ascribed thereto in the Paying Agent Agreement.

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this 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 Series 2011 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Paying Agent Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Series 2011 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 Series 2011 Bonds, the Paying Agent Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated May 10, 2011, or other offering material relating to the Series 2011 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 Series 2011 Bonds constitute valid and binding obligations of the District.

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

3. The Board of Supervisors of the County has power and is obligated to levy *ad valorem* taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Series 2011 Bonds and the interest thereon.

4. Interest on the Series 2011 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 Series 2011 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX D

FORMS OF CONTINUING DISCLOSURE CERTIFICATES

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Martinez Unified School District (the "District") in connection with the issuance of $24,998,562.75 aggregate initial principal amount of Martinez Unified School District General Obligation Bonds, Election of 2010, Series 2011(the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on April 11, 2011 (the "District Resolution"). The District covenants and agrees as follows:

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

Section 2. **Definitions.** In addition to the definitions set forth in the District 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) or (b) hereof.

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

"Official Statement" shall mean the Official Statement, dated May 10, 2011 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

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

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

Section 3. **Provision of Annual Reports.** (a) The District shall, or shall cause the Dissemination Agent to, not later than 290 days after the end of the District's fiscal year (which due date shall be April 15 of each year, so long as the fiscal year ends on June 30), commencing with the report for the 2010-2011 Fiscal Year (which is due not later than April 15, 2012), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall 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 to the MSRB.

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

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

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

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

(ii) The District's average daily attendance.

(iii) The District's outstanding debt.

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

(v) Information regarding twenty taxpayers with the greatest combined ownership of taxable property in the District, if and to the extent provided to the District by the County.

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

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

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

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

(i) principal and interest payment delinquencies;

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

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

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

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

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; or

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

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

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

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

(ii) modifications to rights of Bond Holders;

(iii) optional, unscheduled or contingent Bond calls;

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

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

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

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

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

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

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

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

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

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

(c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as provided in the District Resolution for amendments to the District 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(e) hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

Section 10. **Default.** In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County or in U.S. District Court in or nearest to the County of Sonoma. A default under this Disclosure Certificate shall not be deemed an event of default under the District 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: May 24, 2011

MARTINEZ UNIFIED SCHOOL DISTRICT

By: ___________________________________
Superintendent

EXHIBIT A

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

Name of Issuer:	MARTINEZ UNIFIED SCHOOL DISTRICT
Name of Issue:	Martinez Unified School District General Obligation Bonds, Election of 2010, Series 2011
Date of Issuance:	May 24, 2011

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 _________, 2011. [The District anticipates that the Annual Report will be filed by _____________.]

Dated:_______________

MARTINEZ UNIFIED SCHOOL DISTRICT

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the Martinez Unified School District (the “District”) in connection with the issuance of $13,075,000 aggregate principal amount of Martinez Unified School District General Obligation Refunding Bonds, Series 2011 (the “Bonds”). The Bonds are being issued pursuant to the Paying Agent Agreement, dated as of May 1, 2011, by and between the District and The Bank of New York Mellon Trust Company, N.A., as paying agent, as originally executed and as it may be amended or supplemented from time to time (the “Paying Agent Agreement”). The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

“Official Statement” shall mean the Official Statement, dated May 10, 2011 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

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

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

Section 3. **Provision of Annual Reports.** (a) The District shall, or shall cause the Dissemination Agent to, not later than 290 days after the end of the District’s fiscal year (which due date shall be April 15 of each year, so long as the fiscal year ends on June 30), commencing with the report for the 2010-2011 Fiscal Year (which is due not later than April 15, 2012), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall 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 to the MSRB.

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 of Contra Costa (the "County").

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

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

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

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

(i) principal and interest payment delinquencies;

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

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

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

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

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; or

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

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

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

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

(ii) modifications to rights of Bond Holders;

(iii) optional, unscheduled or contingent Bond calls;

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

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dated: May 24, 2011

MARTINEZ UNIFIED SCHOOL DISTRICT

By: ___________________________________
Superintendent

EXHIBIT A

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

Name of Issuer:	MARTINEZ UNIFIED SCHOOL DISTRICT
Name of Issue:	Martinez Unified School District General Obligation Refunding Bonds, Series 2011
Date of Issuance:	May 24, 2011

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 _________, 2011. [The District anticipates that the Annual Report will be filed by _____________.]

Dated:_______________

MARTINEZ UNIFIED SCHOOL DISTRICT

APPENDIX E

CONTRA COSTA COUNTY INVESTMENT POLICY AND DESCRIPTION OF INVESTMENT POOL

The following information has been furnished by the Office of the Treasurer-Tax Collector, County of Contra Costa. It describes (i) the policies applicable to investment of District funds, including bond proceeds and tax levies, and funds of other agencies held by the County Treasurer and (ii) the composition, carrying amount, market value and other information relating to the investment pool. Further information may be obtained directly from the Treasurer-Tax Collector, 625 Court Street, Room 100, Martinez, California 94553, phone number (925) 957-2850.

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CONTRA COSTA COUNTY

INVESTMENT POLICY

JUNE 2010

STANDARDS AND OBJECTIVES

§53600.3.[1] Standard for Governing Bodies or Persons Authorized to Make Investment Decisions for Local Agencies

Governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the ***prudent investor standard***. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part to an overall strategy, investments may be acquired as authorized by law.

§53600.5. Trustee's Objectives Regarding Funds

When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the primary objective of a trustee shall be to ***safeguard the principal*** of the funds under its control. The secondary objective shall be to ***meet the liquidity*** needs of the depositor. The third objective shall be to ***achieve a return*** on the funds under its controls.

[1] Number refers to Government Code number and section.

INSTRUMENTS AUTHORIZED FOR INVESTMENT

§53601. Instruments Authorized for Investment

A. ***Bonds issued by the local agencies***, including bonds payable solely out of the revenues from a revenue-producing property, owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

B. ***United States Treasury notes, bonds, bills or certificates of indebtedness***, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

C. ***Registered state warrants or treasury notes or bonds of this state***, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency or authority of the state.

D. ***Bonds, notes, warrants or other evidences of indebtedness of any local agency within this state***, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the local agency, or by a department, board, agency or authority of the local agency.

E. ***Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments***, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

F. ***Bankers acceptances otherwise known as bills of exchange or time drafts*** drawn on and accepted by a commercial bank. Purchases of banker's acceptances may not exceed 180 days' maturity or 40 percent of the agency's money that may be invested pursuant to this section. However, no more than 30 percent of the agency's money may be invested in the banker's acceptances of any one commercial bank pursuant to this section. This subdivision does not preclude a municipal utility district from investing any money in its treasury in any manner authorized by the Municipal Utility District Act (Division 6, commencing with Section 11501, of the Public Utilities Code).

G. ***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 (1) or paragraph (2):

(1) The entity meets the following criteria:
  (A) Is organized and operating in the United States as a general corporation.
  (B) Has total assets in excess of five hundred million dollars ($500,000,000).

(C) Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization (NRSRO).

(2) The entity meets the following criteria:
(A) Is organized within the United States as a special purpose corporation, trust, or limited liability company.
(B) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
(C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO).

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their money in eligible commercial paper. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635. Following are the concentration limits (Government Code Section 53635, subdivision (a)):

1. Not more than 40 percent of the local agency's money may be invested in eligible commercial paper.
2. Not more than 10 percent of the total assets of the investments held by a local agency may be invested in any one issuer's commercial paper.

H. ***Negotiable certificates of deposit*** issued by a nationally- or state-chartered bank or a savings association or federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the agency's money that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposits do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the money are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or any person with investment decision making authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

I. Investments in ***repurchase agreements*** or ***reverse repurchase agreements*** of any securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.

1. **"Repurchase agreement"** means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the

securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.

a. **"Securities,"** for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date and maturity.

b. Investments in repurchase agreements may be made on any investment authorized in this section when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.

2. **"Reverse repurchase agreement"** means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.

   Reverse repurchase agreements may be utilized only when all of the following conditions are met:

   The security to be sold on reverse repurchase agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale; the total of all reverse repurchase agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio; the agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.

   Investments in reverse repurchase agreements shall only be made with primary dealers of the Federal Reserve Bank of New York, or with a nationally- or state-chartered bank that has or has had a significant banking relationship with a local agency…"Significant banking relationship" means any of the following activities of a bank:

   a. Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, notes, or other evidence of indebtedness.

b. Financing of a local agency's activities.

c. Acceptance of a local agency's securities or funds as deposits.

J. ***Medium-term notes*** of a maximum of five-years maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by a nationally-recognized rating service. Purchases of medium-term notes may not exceed 30 percent of the agency's money that may be invested pursuant to this section.

K. 1. ***Shares of beneficial interest*** issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (j), inclusive, or subdivision (m) or (n) and that comply with the investment restrictions of this article and Article 2.

2. ***Shares of beneficial interest*** issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (l5 U.S.C. Sec. 80a-1 et seq.).

3. If investment is in shares issued pursuant to paragraph (2), the company shall have met the following criteria:

a. Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

b. Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars ($500,000,000).

4. The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and shall not exceed 20 percent of the agency's money that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

L. ***Moneys held by a trustee or fiscal agent*** and pledged to the payment of security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are not specific statutory provision, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

M. ***Notes, bonds, or other obligations that are at all times secured by a valid first-priority security interest*** in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

N. ***Any mortgage pass-through security, collaterialized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond*** of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of **"AA"** or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section.

O. Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (n) , inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing shares shall have retained an investment adviser that meets all of the following criteria:

(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (n) inclusive.
(3) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

P. Local Agency Investments – LAIF - (All references in this section to the Treasurer and the Controller pertain to the State Treasurer and the State Controller).

§16305.9. (a) All money in the Local Agency Investment Fund shall be held in trust in the custody of the Treasurer.

(b) All money in the Local Agency Investment Fund is nonstate money. That money shall be held in a trust account or accounts. The Controller shall be responsible for maintaining those accounts to record the Treasurer's accountability, and shall maintain a separate account for each trust deposit in the Local Agency Investment Fund.

(c) That money shall be subject to audit by the Department of Finance and to cash count as provided for in Sections 13297,13298, and 13299. It may be withdrawn only upon the order of the depositing entity or its disbursing officers. The system that the Director of Finance has established for the handling, receiving, holding, and disbursing of state agency money shall also be used for the money in the Local Agency Investment Fund.

(d) All money in the Local Agency Investment Fund shall be deposited, invested and reinvested in the same manner and to the same extent as if it were state money in the State Treasury.

§16429.1. Existence and Appropriation of Fund; Investment and Distribution of Deposits

(a) There is in trust in the custody of the Treasurer the Local Agency Investment Fund, which fund is hereby created. The Controller shall maintain a separate account for each governmental unit having deposits in this fund.

(b) Notwithstanding any other provisions of law, a local governmental official, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.

(c) Notwithstanding any other provisions of law, an officer of any nonprofit corporation whose membership is confined to public agencies or public officials, or an officer of a qualified quasi-governmental agency, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.

(d) Notwithstanding any other provision of law or of this section, a local agency, with the approval of its governing body, may deposit in the Local Agency Investment Fund proceeds of the issuance of bonds, notes, certificates of participation, or other evidences of indebtedness of the agency pending expenditure of the proceeds for the authorized purpose of their issuance. In connection with these deposits of proceeds, the Local Agency Investment Fund is authorized to receive and disburse moneys, and to provide information, directly with or to an authorized officer of a trustee or fiscal agency engaged by the local agency, the Local Agency Investment Fund is authorized to hold investments in the name and for the account of that trustee or fiscal agent, and the Controller shall maintain a separate account for each deposit of proceeds.

(e) The local governmental unit, the nonprofit corporation, or the quasi-governmental agency has the exclusive determination of the length of time its money will be on deposit with the Treasurer.

(f) The trustee or fiscal agent of the local governmental unit has the exclusive determination of the length of time proceeds from the issuance of bonds will be on deposit with the Treasurer.

(g) The Local Investment Advisory Board shall determine those quasi-governmental agencies which qualify to participate in the Local Agency Investment Fund.

(h) The Treasurer may refuse to accept deposits into the fund if, in the judgment of the Treasurer, the deposit would adversely affect the state's portfolio.

(i) The Treasurer may invest the money of the fund in securities prescribed in Section 16430. The Treasurer may elect to have the money of the fund invested through the Surplus Money Investment Fund as provided in Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2.

(j) Money in the fund shall be invested to achieve the objective of the fund, that is to realize the maximum return consistent with safe and prudent treasury management.

(k) All instruments of title of all investments of the fund shall remain in the Treasurer's vault or be held in safekeeping under control of the Treasurer in any federal reserve bank, or any branch thereof, or the Federal Home Loan Bank of San Francisco, with any trust company, or the trust department of any state or national bank.

(l) Immediately at the conclusion of each calendar quarter, all interest earned and other increment derived from investments shall be distributed by the Controller to the contributing governmental units or trustees or fiscal agents, nonprofit corporations, and quasi-governmental agencies in amounts directly proportionate to the respective amounts deposited in the Local Agency Investment fund and the length of time the amounts remained therein. An amount equal to the reasonable costs incurred in carrying out the provisions of this section, not to exceed a maximum of one-half of one percent of the earnings of this fund, shall be deducted from the earnings prior to distribution. The amount of this deduction shall be credited as reimbursements to the state agencies having incurred costs in carrying out the provisions of this section.

(m) The Treasurer shall prepare for distribution a monthly report of investments made during the preceding month.

FURTHER RESTRICTIONS/LIMITATIONS BY GOVERNMENT CODE AND COUNTY TREASURER

Further Restrictions Set by Treasurer

A. Reverse repurchase agreements will be used strictly for the purpose of supplementing income with a limit of 10 percent of the total portfolio without prior approval of the Treasurer.

B. Swaps and Trades will each be approved on a per-trade basis by Treasurer or Assistant Treasurer.

C. SBA loans require prior approval of the Treasurer in every transaction.

D. Repurchase Agreements will generally be limited to Wells Fargo Bank, Bank of America or other institutions with whom the County treasury has executed tri-party agreements. Collateral will be held by a third party to the transaction that may include the trust department of particular banks. Collateral will be only securities that comply with Government Code 53601.

E. Securities purchased through brokers will be held in safekeeping at The Bank of New York Trust Company, N.A. or as designated by the specific contract(s) for government securities and tri-party repurchase agreements.

F. Bank C.D.s or non-negotiable C.D.s will be collateralized at 110 percent by government securities or 150 percent by current mortgages. There will be no waiver of the first $100,000 collateral except by special arrangement with the Treasurer.

G. All investments purchased by the Treasurer’s Office shall be of investment grade. The minimum credit rating of purchased investments shall be as defined by Government Code 53600 et. seq.

H. All legal securities issued by a tobacco-related company are prohibited. A tobacco-related company is defined as an entity that makes smoking products from tobacco used in cigarettes, cigars or snuff or for smoking in pipes or a company that has total revenues of 15 percent or more from the sale of such products. The tobacco-related issuers restricted from any investment are British American Tobacco, Gallaher Group PLC, Imasco Ltd., Lowes Companies, ALTRIA Group, Inc., RJ Reynolds Tobacco Holdings, Inc., Brooke Groupe LTD., UST, Inc. and Universal Corp. However, tobacco-related companies will not be limited to the foregoing list. Additional companies will be prohibited as long as said entities fall within the definition of tobacco-related companies.

I. Financial futures or financial option contracts will each be approved on a per trade basis by the County Treasurer.

J. No more than 10 percent of the local agency's money may be invested in the outstanding commercial paper of any single issuer.

K. No more than 10 percent of the outstanding commercial paper of any single issuer may be purchased by the local agency.

§53601.6. Prohibited Investments by Government Code

A. A local agency shall not invest any funds pursuant to this Article or pursuant to Article 2 (commencing with Section 53630) in ***inverse floaters, range notes or interest-only strips*** that are derived from a pool of mortgages.

B. A local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630)in ***any security that could result in zero interest accrual if held to maturity***. However, a local agency may hold prohibited instruments until their maturity dates. The limitation in this subdivision shall not apply to local agency investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1,et seq.) that are authorized for investment pursuant to subdivision (k) of Section 53601.

§53601. Instruments Authorized for Investments: Maturity

Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, **no investment shall be made in any security**, other than a security underlying a repurchase or reverse repurchase agreement authorized by this section, that at the time of the investment **has a term remaining to maturity in excess of five years**, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.

Quality of Investment Instruments, Issuers and Sources

Regular financial review and analysis of issuers and sources of securities such as banks and brokerage firms shall be performed. These will be based on credit-rating services' evaluations, financial documents such as audits, Form 10-Q filings to the Securities and Exchange Commission and other reliable financial information.

SAFEKEEPING AND CUSTODY

§53601. Instruments Authorized for Investment

A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered or non-registered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisors, consultants or managers using the agency's funds, by book entry, physical delivery or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book-entry account may be used for book-entry delivery. For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term of remaining maturity at the time of the investment, no investment shall be made in any security other than a security underlying a repurchase or reverse repurchase agreement authorized by this section.

In compliance with this section, the securities of Contra Costa County and its agencies shall be in safekeeping at The Bank of New York Trust Company, N. A., a counterparty bank's trust department or as defined in the debt indenture and contract.

AUTHORIZED BROKERS AND DEALERS

Securities for Contra Costa County and its agencies shall be purchased from the following:

- Primary dealers of the Federal Reserve Bank of New York and their subcontracts.
- Banks and financial institutions that sell and buy instruments authorized for investments per Government Code 53600 et. seq. and their subcontracts.
- Issuers of securities authorized by Government Code 53601 et. seq.

Securities shall not be purchased from brokers, brokerages, dealers or securities firms who within any 48-month period following January 1, 1996, made a political contribution to the local treasurer, any member of the governing board of the local agency or any candidate for those offices in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board.

LIMITS ON THE RECEIPT OF HONORARIA, GIFTS AND GRATUITIES

Gift Prohibitions

All state and local officials who are listed in Government Code Section 87200, and candidates for those elective offices (except judges), are prohibited from accepting a gift or gifts aggregating more than **as stated in California Government Code §89502(a) and §89503(f)** in a calendar year from a single source.

Beginning on January 1, 1993, the State Fair Political Practices Commission shall adjust the gift limitations in this section on January 1st of each odd-numbered year to reflect changes in the Consumer Price Index rounded to the nearest ten dollars ($10). §89503(f)

Honorarium Prohibition

All state and local officials who are listed in Government Code Section 87200, and candidates for those elective offices (except judges), are prohibited from accepting any honorarium for any speech given, article published or attendance at any public or private conference, convention, meeting, social event, meal or like gathering.

Exceptions

- The gift limit and honorarium prohibitions do not apply to a part-time member of the governing board of a public institution of higher education unless the member is also an elected official.

- For state board and commission members, the gift limit and honorarium prohibition are applicable only if the member would be required to report the receipt of income or gifts from the source on his or her statement of economic interests. The $10 gift limit is applicable only to lobbyists and lobbying firms registered to lobby the board or commission member's agency.

Disqualification

Public officials are, under certain circumstances, required to disqualify themselves from making, participating in, or attempting to influence governmental decisions that will affect any of their financial interests, not just those that they are required to disclose on a statement of economic interests.

Enforcement

The Fair Political Practices Commission may impose penalties for statements of economic interests that are filed late. The fine is $10 per day, beginning the day after the filing deadline, up to a maximum of $100. Late-filing penalties can be reduced or waived under certain circumstances.

In addition, the Fair Political practices Commission may initiate investigations with respect to any suspected violation of the Political Reform Act. Other law enforcement agencies (the Attorney General or District Attorney) may initiate investigations under certain circumstances. If violations are found, the Commission may initiate administrative enforcement proceedings that could result in the imposition of monetary penalties of up to **$5,000** per violation. In lieu of administrative prosecution, a civil action may be brought for negligent or intentional violations by the appropriate civil prosecutor (the Commission, Attorney General or District Attorney) where the measure of damages for most violations is the amount of value not properly reported. Persons who violate the conflict-of-interest disclosure provisions of the Political Reform Act can also be subject to discipline by their agency, including dismissal.

Finally, a knowing or willful violation of any provision of the Political Reform Act is a misdemeanor. Persons convicted of a misdemeanor may be disqualified for four years from the date of the conviction from serving as a lobbyist or running for elective office in addition to other penalties that may be imposed. The Act also provides for numerous civil penalties, including monetary penalties and damages, and injunctive relief from the courts.

<u>FURTHER AMENDMENTS TO THE CONFLICT OF INTEREST CODES</u>
(Per a Contra Costa County Board of Supervisors' Order dated February 6, 1996)

Amend all local Conflict of Interest Codes as follows:

Pursuant to Government Code Sections 87302 and 87306 et. seq., this Board hereby amends every local Conflict of Interest Code previously approved by the Board of Supervisors to add the following:

"All other provisions of this Code notwithstanding, the following provisions hereafter apply:

1. No designated employee shall accept **<u>any</u>** honorarium.

   Subdivisions (b), (c) and (e) of Government Code Section 89502 shall apply to the prohibitions in this Section. This Section shall not limit or prohibit payments, advances or reimbursements for travel and related lodging and subsistence authorized by Government Code Section 89506.

2. No designated employee shall accept any gifts with a total value of more than four hundred twenty dollars ($420) in a calendar year from any single source.

   Subdivision (d) of Government Code Section 89504 shall apply to this Section."

This amendment is necessary to assure that all local codes comply with recent amendments to Government Code Section 89502.

INVESTMENT REPORT

The Treasurer may render a quarterly report "…to the Chief Executive Officer, the Internal Auditor and the legislative body of the local agency…" (Government Code 53646).

The County shall submit copies of its second and fourth quarter reports to the California Debt and Investment Advisory Commission within 60 days after the close of the second and fourth quarters of each calendar year (Government Code 53646(g)).

In addition the County Treasurer will provide "…the County Treasury Oversight Committee with an investment report as required by the Board of Supervisors…" (Government Code 27133 (e)).

The County shall submit copies of its investment policy each calendar year to the California Debt and Investment Advisory Commission. All subsequent policy amendment(s) have to be submitted within 60 days.

PLEDGE REPORT

Any securities that are pledged or loaned for any purpose shall be reported in the Quarterly Investment Report. The transaction detail will be provided, including purpose, beginning and termination dates and all parties to the contract. The security descriptions as to type, name, maturity date, coupon rate, CUSIP and other material information will be included.

REVERSE REPURCHASE AGREEMENTS

All reverse repurchase agreements entered into, whether active or inactive by the end of each quarter, shall be reported in the Treasurer's Quarterly Investment Report.

LOCAL AGENCY INVESTMENTS

To be eligible to receive local agency money, a bank, savings association, federal association, or federally-insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisorial agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code. (Government Code 53635)

METHODOLOGY OF CALCULATING AND APPORTIONING TREASURY COSTS

Regular and Routine Investments

- $20 per investment transaction; i.e., $20 at placement and $20 at maturity.
- .00333 of interest income; i.e., $3.33 per $1,000 of interest income.

Charged quarterly by journal entry.

Special Reports and Research

Actual staff time and materials.

Special Bank Transactions

Actual bank fee schedule, staff time and materials.

§53684. Alternative Procedure for Investment of Excess Funds

B. The County Treasurer shall, at *least* quarterly, apportion any interest or other increment derived from the investment of funds pursuant to this section in an amount proportionate to the average daily balance of the amounts deposited by the local agency *and to the total average daily balance of deposits in the investment pool. In apportioning and distributing that interest or increment, the county treasurer may use the cash method, the accrual method, or any other method in accordance with generally accepted accounting principles.* *****

   Prior to distributing that interest or increment, the County Treasurer may deduct the actual costs incurred by the county in administering this section in proportion to the average daily balance of the amounts deposited by the local agency and *to the total average daily balance of deposits in the investment pool.*

C. The County Treasurer shall disclose to each local agency that invests funds pursuant to this section the method of accounting used, whether cash, accrual, or other, and shall notify each local agency of any proposed changes in the accounting method at least 30 days prior to the date on which the proposed changes take effect**. ***

***** In Contra Costa County, the Auditor-Controller performs these functions for fiscal control purposes.

NON-MANDATED DEPOSITS AND WITHDRAWALS IN THE TREASURY

Following are the terms and conditions for deposit of funds for investment purposes by entities that are not legally required to deposit their funds in the County Treasury.

- Resolution by the County Board of Supervisors authorizing the acceptance of outside participants by the County Treasury.
- Resolution by the legislative or governing body of the local agency authorizing the investment of funds pursuant to Government Code 53684.
- Treasury investments will be directed transactions.

Withdrawal of funds in the Treasury shall coincide with investment maturities or authorized sale of securities by the legislative or governing body of the local agency. Except for funds in the California State Local Agency Investment Fund, a five-business-days notification may be required when authorized sale of securities is involved. However, the section on evaluation of request for withdrawal of funds for use outside the County treasury pool by both mandated and non-mandated treasury pool participants shall also apply.

WITHDRAWAL OF FUNDS BY MANDATED TREASURY PARTICIPANTS

The withdrawal of mandated deposits in the Treasury will coincide with investment maturities and/or authorized sale of securities by authorized personnel of the local agency. Except for funds in the California State Local Agency Fund, a five-business-days notification may be required when authorized sale of securities is involved. However, the section on evaluation of request for withdrawal of funds for use outside the County treasury pool by both mandated and non-mandated treasury pool participants shall also apply.

Evaluation of Request For Withdrawal of Funds For Use Outside the County Treasury Pool by Both Mandated and Non-Mandated Treasury Pool Participants

Pursuant to Section 27136(a):

“Notwithstanding any other provisions of law, any local agency, public agency, public entity or public official that has funds on deposit in the County treasury pool and that seeks to withdraw funds for the purpose of investing or depositing those funds outside the County treasury pool shall first submit the request for withdrawal to the County Treasurer before withdrawing funds from the County treasury pool.”

The County Treasurer shall evaluate each proposed withdrawal and may request up to 30 days in order to assess the effect of the proposed withdrawal on the stability and predictability of the investments in the County treasury and that the interests of the other depositors will not be adversely affected.

APPROVED BROKERS AND ISSUERS

ABN AMRO, Incorporated
American Express Credit Corporation
Associates Corporation of North America
Associates First Capital
Bank of America
Bank of the West
Bankers Trust Company
Barclays Capital, Incorporated
California Arbitrage Management Program
Chase Securities, Incorporated
Chevron Corporation
Chevron Funding
Citibank
Citigroup Funding Inc.
Credit Suisse First Boston
Deere & Company
Donaldson, Lufkin & Jenrette Securities Corporation
Exxon Mobil Corporation and Subsidiaries
First Commercial Bank
General Electric Capital Corporation
General Electric Capital Services
General Electric Company
Gilford Securities, Incorporated
Goldman, Sachs & Company
Government Perspectives
John Deere Capital Corporation
Mechanics Bank
Mellon Bank
Prudential Securities, Incorporated
Public Financial Management, Incorporated
Rauscher Pierce Refsnes, Incorporated
Salomon Smith Barney, Incorporated
Sumitomo Bank of California
Toyota Motors Credit Corporation
UBS Financial Services
Union Bank
US Bancorp
Wells Fargo Bank
Westamerica Bank

Note: The County Treasury will not be limited to the above list. Others will be included as long as all conditions for authorized brokers and dealers set forth in this policy are met. Additionally, deletions and additions are based on the maintenance of required credit quality as rated by Standard and Poor's, Moody's and other recognized rating services and reliable financial sources.

APPROVED PRIMARY GOVERNMENT SECURITIES DEALERS REPORTING TO THE MARKET REPORTS DIVISION OF THE FEDERAL RESERVE BANK OF NEW YORK AS OF APRIL 1, 2010

BNP Paribas Securities Corp.
Banc of America Securities LLC
Barclays Capital Inc.
Cantor Fitzgerald & Co.
Citigroup Global Markets, Inc.
Credit Suisse Securities (USA) LLC
Daiwa Capital Markets America Inc.
Deutsche Bank Securities Inc.
Goldman, Sachs & Co.
HSBC Securities (USA) Inc.
Jefferies & Company, Inc.
J.P. Morgan Securities, Inc.
Mizuho Securities USA Inc.
Morgan Stanley & Co. Incorporated
Nomura Securities Inc.
RBS Securities Inc.
UBS Securities LLC.

GLOSSARY

Agencies A colloquial term for securities issued by the federal agencies.

Bankers Acceptances A time bill of exchange drawn on and accepted by a commercial bank to finance the exchange of goods. When a bank "accepts" such a bill, the time draft becomes, in effect, a predated, certified check payable to the bearer at some future specified date. Little risk is involved for the investor because the commercial bank assumes primary liability once the draft is accepted.

Basis Point One basis point is equal to 1/100 of one percent. For example, if interest rates increase from 8.25% to 8.50%, the difference is referred to as a 25-basis-point increase.

Blue Sky Laws Common term for state securities law, which vary from state to state. Generally refers to provision related to prohibitions against fraud, dealer and broker regulations and securities registration.

Book Value Refers to value of a held security as carried in the records of an investor. May differ from current market value of the security.

Certificates of Deposit (C/Ds) Certificates issued against funds deposited in a commercial bank for a definite period of time and earning a specified rate of return. They are issued in two forms, negotiable and non-negotiable.

- **Negotiable Certificates of Deposit** May be sold by one holder to another prior to maturity. This is possible because the issuing bank agrees to pay the amount of the deposit plus interest earned to the bearer of the certificate at maturity.

- **Non-Negotiable Certificates of Deposit** These certificates are collateralized and are not money market instruments since they cannot be traded in the secondary market. They are issued on a fixed-maturity basis and often pay higher interest rates than are permissible on other savings or time-deposit accounts.

Commercial Paper Short-term, unsecured promissory notes issued in either registered or bearer form and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30-45 days.

Coupon Rate The annual rate of interest payable on a security expressed as a percentage of the principal amount.

CUSIP Numbers CUSIP is an acronym for Committee on Uniform Security Identification Procedures. CUSIP numbers are identification numbers assigned each maturity of a security issue and usually printed on the face of each individual security in the issue. The CUSIP numbers are intended to facilitate identification and clearance of securities.

Inverse Floaters An adjustable interest rate note keyed to various indices such as LIBOR, commercial paper, federal funds, treasuries and derivative structures. The defined interest rate formula is the opposite or inverse of these indices. Interest rates and pay dates may reset daily, weekly, monthly, quarterly, semi-annually or annually.

Liquidity Usually refers to the ability to convert assets (such as investments) into cash.

Mark to Market Valuing the inventory of held securities at its current market value.

Market Value Price at which a security can be traded in the current market.

Maturity The date upon which the principal of a security becomes due and payable to the holder.

Medium-Term Notes (MTNs) Corporate debt obligations continuously offered in a broad range of maturities. MTNs were created to bridge the gap between commercial paper and corporate bonds. The key characteristic of MTNs is that they are issued on a continuous basis.

Money Market Instruments Private and government obligations of one year or less.

Offer The price of a security at which a person is willing to sell.

Par Value The stated or face value of a security expressed as a specific dollar amount marked on the face of the security; the amount of money due at maturity. Par value should not be confused with market value.

Premium The amount by which the price paid for a security exceeds par value, generally representing the difference between the nominal interest rate and the actual or effective return to the investor.

Range Notes A security whose rate of return is pegged to an index. The note defines the interest rate minimum or floor and the interest rate maximum or cap. An example of an index may be federal funds. The adjustable rate of interest is determined within the defined range of the funds.

Repurchase Agreement or RP or REPO An agreement consisting of two simultaneous transactions whereby the investor purchases securities from a bank or dealer and the bank or dealer agrees to repurchase the securities at the same price on a certain future date. The interest rate on a RP is that which the dealer pays the investor for the use of his funds. Reverse repurchase agreements are the mirror image of the RPs when the bank or dealer purchases securities from the investor under an agreement to sell them back to the investor.

Settlement Date The date used in price and interest computations, usually the date of delivery.

SLUGS An acronym for State and Local Government Series. SLUGS are special United States Government securities sold by the Secretary of the Treasury to states, municipalities and other local government bodies through individual subscription agreements. The interest rates and maturities of SLUGS are arranged to comply with arbitrage restrictions imposed under Section 103 of the Internal Revenue Code. SLUGS are most commonly used for deposit in escrow in connection with the issuance of refunding bonds.

STRIPS US Treasury acronym for “separate trading of registered interest and principal of securities." Certain registered Treasury securities can be divided into separate interest and principal components, which may then be traded as separate entities.

SWAP Generally refers to an exchange of securities, with essentially the same par value, but may vary in coupon rate, type of instrument, name of issuer and number of days to maturity. The purpose of the SWAP may be to enhance yield, to shorten the maturity or any benefit deemed by the contracting parties.

Treasury Securities Debt obligations of the United States Government sold by the Treasury Department in the form of bills, notes and bonds:

- **Bills** Short-term obligations that mature in one year or less and are sold at a discount in lieu of paying periodic interest.

- **Notes** Interest-bearing obligations that mature between one year and 10 years.

- **Bonds** Interest-bearing long-term obligations that generally mature in 10 years or more.

Zero-Coupon Security A security that makes no periodic interest payments but instead is sold at a deep discount from its face value.

APPENDIX

THE BOARD OF SUPERVISORS OF CONTRA COSTA COUNTY, CALIFORNIA

Adopted this Resolution on January 20, 2009 by the following vote:

AYES: GIOIA, UILKEMA, PIEPHO, & BONILLA

NOES: NONE

ABSENT: GLOVER

ABSTAIN:

RESOLUTION OF CONTRA COSTA COUNTY
(Account #99-07-000)

Resolution No. 2009/25

AGENCY ADDRESS	625 Court Street, Room 102 Martinez, CA 94553	AGENCY PHONE NUMBER	925-957-2850

**AUTHORIZING INVESTMENT OF MONIES
IN THE LOCAL AGENCY INVESTMENT FUND**

WHEREAS, Pursuant to Chapter 730 of the statutes of 1976 Section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund in the State Treasury for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Board of Supervisors does hereby find that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein as in the best interests of the CONTRA COSTA COUNTY.

NOW THEREFORE, BE IT RESOLVED, that the Board of Supervisors does hereby authorize the deposit and withdrawal of CONTRA COSTA COUNTY monies in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein, and verification by the State Treasurer's Office of all banking information provided in that regard.

BE IT FURTHER RESOLVED, that the following CONTRA COSTA COUNTY officers or their successors in office shall be authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund:

William J. Pollacek	Russell V. Watts	Brice E. Bins
(NAME)	(NAME)	(NAME)
Treasurer-Tax Collector	Chief Deputy Treasurer-Tax Collector	Assistant Treasurer
(TITLE)	(TITLE)	(TITLE)
(SIGNATURE)	(SIGNATURE)	(SIGNATURE)

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown

ATTESTED: January 20, 2009
DAVID TWA, Clerk of the Board of Supervisors
And County Administrator

By ____________ Deputy

RESOLUTION NO. 2008/25

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CONTRA COSTA COUNTY

TREASURER'S QUARTERLY INVESTMENT REPORT

AS OF DECEMBER 31, 2010

EXECUTIVE SUMMARY

- The Treasurer's investment portfolio is in compliance with Government Code 53600 et. seq..

- The Treasurer's investment portfolio is in compliance with the Treasurer's current investment policy.

- The Treasurer's investment portfolio has no securities lending, reverse repurchase agreements or derivatives.

- The total cost of the investment portfolio was equal to **$2,130,519,758** on December 31, 2010. The fair value was **$2,131,362,757** which was 100.04% of cost.

- The weighted average maturity of the total investment pool was 142 days. More than 87 percent of the portfolio or over $1.86 billion will mature in less than a year. Historical activities combined with future cash flow projections indicate that the County is able to meet its cash flow needs for the next six months. However, the State's deferral policies and budget deficit could have a significant impact on the County's cash flow during the next six months.

CONTRA COSTA COUNTY INVESTMENT POOL
As of December 31, 2010

TYPE	PAR VALUE	COST	FAIR VALUE	PERCENT OF TOTAL COST
A. Investments Managed by Treasurer's Office				
1. U.S. Treasuries (STRIPS, Bills, Notes)	$26,676,000.00	$26,376,890.18	$26,561,056.06	1.24%
2. U.S. Agencies				
Federal Agriculture Mortgage Corporation	4,272,000.00	4,536,864.00	4,536,864.00	0.21%
Federal Home Loan Banks	104,235,000.00	105,682,662.72	106,303,708.85	4.96%
Federal National Mortgage Association	98,500,000.00	98,611,040.10	98,561,685.02	4.63%
Federal Farm Credit Banks	20,312,000.00	20,640,903.57	20,504,930.01	0.97%
Federal Home Loan Mortgage Corporation	69,450,000.00	71,180,859.64	71,298,651.26	3.34%
Municipal Bonds	1,000,000.00	1,000,000.00	1,000,000.00	0.05%
Subtotal	297,769,000.00	301,652,330.03	302,205,839.14	14.16%
3. Money Market Instruments				
Bankers Acceptances	40,000,000.00	39,958,331.94	39,963,666.66	1.88%
Repurchase Agreement	382,895,000.00	382,895,000.00	382,895,000.00	17.97%
Commercial Paper	343,192,000.00	343,073,955.56	343,119,300.01	16.10%
Negotiable Certificates of Deposit	218,125,000.00	218,125,000.00	218,179,489.00	10.24%
Corporate Notes	41,370,000.00	42,047,193.22	41,510,594.25	1.97%
Time Deposit	3,076.96	3,076.96	3,118.86	0.00%
Subtotal	1,025,585,076.96	1,026,102,557.68	1,025,671,168.78	48.16%
TOTAL (Section A.)	1,350,030,076.96	1,354,131,777.89	1,354,438,063.98	63.56%
B. Investments Managed by Outside Contractors				
1. Local Agency Investment Fund	450,385,861.64	450,385,861.64	451,044,020.86	21.14%
2. Other				
a. California Asset Management Program (RDA)	29,374.91	29,406.45	29,411.04	0.00%
b. Miscellaneous (BNY, Mechanics, CCFCU)	283,728.73	244,140.03	244,177.31	0.01%
c. Wells Fargo Asset Management	44,762,339.00	45,131,447.71	45,045,634.06	2.12%
d. BofA Global Capital Management	37,779,928.00	38,439,267.40	38,362,945.91	1.80%
e. CalTRUST (Short-Term Fund)	61,887,879.86	61,887,879.85	61,916,709.52	2.90%
f. CalTRUST (Heritage MMkt Fund)	75,134,050.19	75,134,050.19	75,145,867.92	3.53%
Subtotal	219,877,300.69	220,866,191.63	220,744,745.76	6.84%
TOTAL (Section B.)	670,263,162.33	671,252,053.27	671,788,766.62	31.51%
C. Cash	105,135,926.58	105,135,926.58	105,135,926.58	4.93%
***GRAND TOTAL (FOR A , B, & C)**	$2,125,429,165.87	$2,130,519,757.74	$2,131,362,757.18	100.00%

* Does not include the Futuris Public Entity Trust of the Contra Costa Community College District Retirement Board of Authority

NOTES TO INVESTMENT PORTFOLIO SUMMARY AS OF DECEMBER 31, 2010

1. All report information is unaudited but due diligence was utilized in its preparation.

2. There may be slight differences between the portfolio summary page and the attached exhibits and statements for investments managed by outside contractors or trustees. The variance is due to the timing difference in recording transactions associated with outside contracted parties during interim periods and later transmitted to the appropriate county agency and/or the Treasurer's Office. In general, the Treasurer's records reflect booked costs at the beginning of a period.

3. All securities and amounts included in the portfolio are denominated in United States Dollars.

INVESTMENTS OUTSTANDING AS OF 12/31/10
MAJOR SORT KEY IS ICC#

INVEST NUMBER	DESCRIPTION / PURCHASE MATURITY DATE	CUSIP	BANK / BROK	FUND / SAFE	CPN RATE / YTM TR	PAR/SHARES / BOOK	MARKET VALUE / MARKET PRICE	CURR ACCR INT / PRICE SOURCE	UNREALIZED GAIN / UNREALIZED LOSS
SUBTOTAL (Inv Type) 10	TREASURY NOTES - STRIPS		.03%(M)		8.1600	419,000.00	418,490.00	248,333.00	9,674.69
					10.3295	160,482.31	99.87828200000		
SUBTOTAL (Inv Type) 11	TREASURY BILLS		.30%(M)		.4000	4,015,000.00	4,013,745.39	11,152.77	3,028.06
					.4015	3,999,564.56	99.96875200000		
SUBTOTAL (Inv Type) 12	TREASURY NOTES		1.63%(M)		.8028	22,242,000.00	22,128,820.67	41,908.88	75,860.15
					.8411	22,216,843.31	99.49114600000		-155,973.89
SUBTOTAL (Inv Type) 18	FNMA FLOATING RATE		.20%(M)		.3600	2,650,000.00	2,653,312.50	585.94	3,845.15
					.3719	2,649,467.35	100.1250000000		
SUBTOTAL (Inv Type) 19	FHLB FLOATING RATE		.28%(M)		.3150	3,800,000.00	3,800,000.00	297.16	1,432.60
					.3452	3,798,567.40	100.0000000000		
SUBTOTAL (Inv Type) 20	FRMC NOTES		.33%(M)		4.9500	4,272,000.00	4,536,864.00	92,809.20	.00
					3.2594	4,536,864.00	106.2000000000		
SUBTOTAL (Inv Type) 22	FHLB NOTES		7.46%(M)		2.5605	98,935,000.00	101,004,287.53	620,601.30	1,062,237.11
					2.0518	100,386,476.51	102.0915630000		-438,075.54
SUBTOTAL (Inv Type) 23	FNMA NOTES		4.78%(M)		1.1552	64,609,000.00	64,676,077.83	136,872.48	108,341.47
					1.0573	64,796,622.72	100.1038210000		-217,842.16
SUBTOTAL (Inv Type) 27	FFCB NOTES		1.51%(M)		2.2273	20,312,000.00	20,504,930.01	151,869.01	89,028.31
					1.4781	20,640,903.57	100.9498330000		-225,001.87
SUBTOTAL (Inv Type) 28	FHLMC DISCOUNT NOTES		.66%(M)		.2278	9,013,000.00	9,004,402.16	3,864.05	3,357.84
					.2282	8,997,180.27	99.90460600000		
SUBTOTAL (Inv Type) 29	FHLMC NOTES		4.60%(M)		2.2759	60,437,000.00	62,294,249.10	346,640.99	418,881.50
					1.3158	62,183,679.37	103.0730330000		-270,509.39
SUBTOTAL (Inv Type) 31	MUNICIPAL BONDS		.07%(M)		4.5760	1,000,000.00	1,000,000.00	17,287.11	.00
					4.5760	1,000,000.00	100.0000000000		
SUBTOTAL (Inv Type) 41	FNMA DISCOUNT NOTES		2.31%(M)		.2980	31,241,000.00	31,232,294.69	57,727.66	9,617.00
					.2988	31,164,950.03	99.97213500000		
SUBTOTAL (Inv Type) 43	FHLB DISCOUNT NOTES		.11%(M)		.2348	1,500,000.00	1,499,421.32	1,117.65	684.86
					.2354	1,497,618.81	99.96142100000		
SUBTOTAL (Inv Type) 51	BA, DOMESTIC		2.95%(M)		.1862	40,000,000.00	39,963,666.66	8,462.50	1,122.22
					.2803	39,958,331.94	99.90916700000		-4,250.00

INVESTMENTS OUTSTANDING AS OF 12/31/10
MAJOR SORT KEY IS ICC#

INVEST NUMBER	DESCRIPTION PURCHASE MATURITY DATE	CUSIP	BANK BROK	FUND SAFE	CPN RATE YTM TR	PAR/SHARES BOOK	MARKET VALUE MARKET PRICE	CURR ACCR INT PRICE SOURCE	UNREALIZED GAIN UNREALIZED LOSS
SUBTOTAL (Inv Type) 61 REPURCHASE AGREEMENTS			28.27%(M)		.2070	382,895,000.00	382,895,000.00	6,808.78	.00
					.2070	382,895,000.00	100.0000000000		
SUBTOTAL (Inv Type) 70 COMMERCIAL PAPER INT			12.79%(M)		.2598	173,192,000.00	173,192,000.00	31,216.61	.00
					.2598	173,192,000.00	100.0000000000		
SUBTOTAL (Inv Type) 71 COMMERCIAL PAPER DISC			12.55%(M)		.2795	170,000,000.00	169,927,300.01	43,817.36	3,611.11
					.2798	169,881,955.56	99.95723500000		-2,084.02
SUBTOTAL (Inv Type) 72 NEGOTIABLE CD			16.11%(M)		.3071	218,125,000.00	218,179,489.00	59,539.10	54,549.61
					.3071	218,125,000.00	100.0249810000		-60.61
SUBTOTAL (Inv Type) 75 CORPORATE NOTES			3.06%(M)		3.2983	41,370,000.00	41,510,594.25	198,163.46	226,125.45
					2.4310	42,047,193.22	100.3398460000		-758,321.50
SUBTOTAL (Inv Type) 1000 TIME DEPOSIT			.00%(M)		3.7500	3,076.96	3,118.86	540.07	41.90
					3.7500	3,076.96	101.3616380000		
**GRAND TOTAL					.7132	1350030076.96	1354438063.98	2,079,615.08	2,071,439.03
					.5866	1354131777.89	100.3265100000		-2,072,118.98

**Net of Retirement $2,105,000.00

* MARKET = BOOK LESS PURCHASE INTEREST

APPENDIX F

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 Series 2011 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2011 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 Series 2011 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 the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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APPENDIX G

TABLES OF ACCRETED VALUES
OF CONVERTIBLE CAPITAL APPRECIATION BONDS

Date	Convertible Serial Capital Appreciation Bonds 08/01/2015 6.5%	Convertible Serial Capital Appreciation Bonds 08/01/2016 6.5%	Convertible Serial Capital Appreciation Bonds 08/01/2017 6.5%	Convertible Serial Capital Appreciation Bonds 08/01/2018 6.5%	Convertible Serial Capital Appreciation Bonds 08/01/2019 6.5%	Convertible Serial Capital Appreciation Bonds 08/01/2020 6.5%	Convertible Serial Capital Appreciation Bonds 08/01/2021 6.625%	Convertible Term Capital Appreciation Bonds 08/01/2026 5.375%	Convertible Term Capital Appreciation Bonds 08/01/2031 5.875%	Convertible Term Capital Appreciation Bonds 08/01/2035 6.125%
5/24/2011	4,078.10	4,078.10	4,078.10	4,078.10	4,078.10	4,078.10	4,062.40	4,222.55	4,157.65	4,125.60
8/1/2011	4,126.95	4,126.95	4,126.95	4,126.95	4,126.95	4,126.95	4,111.95	4,264.45	4,202.65	4,172.20
2/1/2012	4,261.05	4,261.05	4,261.05	4,261.05	4,261.05	4,261.05	4,248.20	4,379.05	4,326.15	4,299.95
8/1/2012	4,399.55	4,399.55	4,399.55	4,399.55	4,399.55	4,399.55	4,388.90	4,496.75	4,453.20	4,431.65
2/1/2013	4,542.55	4,542.55	4,542.55	4,542.55	4,542.55	4,542.55	4,534.30	4,617.60	4,584.00	4,567.35
8/1/2013	4,690.15	4,690.15	4,690.15	4,690.15	4,690.15	4,690.15	4,684.50	4,741.70	4,718.70	4,707.25
2/1/2014	4,842.60	4,842.60	4,842.60	4,842.60	4,842.60	4,842.60	4,839.65	4,869.10	4,857.30	4,851.40
8/1/2014	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00

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