NEW ISSUE—BOOK-ENTRY ONLY

INSURED RATINGS:
S&P: "AA+" (stable outlook)
Moody's: "Aa3" (negative outlook)
See "RATINGS" herein.

2011-0596

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

$59,999,952
Pittsburg Unified School District Financing Authority
2011 General Obligation Revenue Bonds
(Pittsburg Unified School District Bond Program)

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

The $59,999,952 Pittsburg Unified School District Financing Authority 2011 General Obligation Revenue Bonds (Pittsburg Unified School District Bond Program)(the "Bonds"), are being issued by the Pittsburg Unified School District Financing Authority, a joint exercise of powers entity organized and existing under the laws of the State of California (the "Authority"), pursuant to Article 4, Chapter 5, Division 7, Title 1 (commencing with section 6584) of the California Government Code, a resolution of the Authority authorizing the issuance of the Bonds and an Indenture, dated as of July 1, 2011 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Bonds are being issued to purchase (a) the Pittsburg Unified School District General Obligation Bonds, Election of 2006, Series C (the "2006 District Bonds"), and (b) the Pittsburg Unified School District General Obligation Bonds, Election of 2010, Series A (the "2010 District Bonds" and, with the 2006 District Bonds, the "District Bonds"). See "THE FINANCING PLAN" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Bonds are secured by a pledge of and lien on the Revenues, consisting primarily of payments of principal and interest made with respect to the District Bonds which will be issued by the Pittsburg Unified School District (the "District") concurrently with the Bonds. The District Bonds are general obligation bonds of the District, the proceeds of which will be used to finance the projects authorized by the voters of the District pursuant to bond authorizations approved in 2006 and 2010. The Board of Supervisors of the County of Contra Costa (the "County") is empowered and obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of the principal and accreted value of and interest on the District Bonds upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), all as more fully described herein. See "SECURITY FOR THE BONDS" herein.

The Bonds are dated as of their date of delivery and are issuable as current interest bonds and capital appreciation bonds. Interest on the Bonds issued as current interest bonds is payable on March 1 and September 1 of each year, commencing March 1, 2012. The Bonds issued as capital appreciation bonds accrete interest from their date of delivery, compounded semiannually on March 1 and September 1 of each year, commencing September 1, 2011. See "THE BONDS" herein.

The Bonds will be delivered in fully registered form only, and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal or accreted value of and interest on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS" herein and APPENDIX E—BOOK-ENTRY ONLY SYSTEM.

The Bonds are subject to optional and mandatory redemption as described herein. See "THE BONDS—Redemption" herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. See "MUNICIPAL BOND INSURANCE" herein.

ASSURED GUARANTY® MUNICIPAL

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES PLEDGED UNDER THE INDENTURE. THE BONDS ARE NOT A DEBT OF THE DISTRICT, THE COUNTY, THE STATE OF CALIFORNIA (THE "STATE") OR ANY OF ITS POLITICAL SUBDIVISIONS, EXCEPT THE AUTHORITY TO THE EXTENT DESCRIBED HEREIN, AND NEITHER THE DISTRICT, THE COUNTY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS, EXCEPT THE AUTHORITY TO THE EXTENT DESCRIBED HEREIN, IS LIABLE THEREON. IN NO EVENT SHALL THE BONDS OR ANY INTEREST THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS SET FORTH IN THE INDENTURE. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AUTHORITY, THE DISTRICT NOR ANY PERSONS EXECUTING THE BONDS ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE.

MATURITY SCHEDULE

SEE INSIDE COVER

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued, and received by the Underwriter, subject to the approval as to their validity by Quint & Thimmig LLP, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by Squire, Sanders & Dempsey (US) LLP, Los Angeles, California, and by Quint & Thimmig LLP, San Francisco, California, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Kronick Moskovitz Tiedemann & Girard, a Professional Corporation, Sacramento, California. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about July 14, 2011.

George K. Baum & Company

Dated: June 29, 2011

$59,999,952
Pittsburg Unified School District Financing Authority
2011 General Obligation Revenue Bonds
(Pittsburg Unified School District Bond Program)

MATURITY SCHEDULE

CURRENT INTEREST BONDS

$50,000,000 5.50% Term Bonds due September 1, 2046, Price: 98.625%, to Yield 5.589%; CUSIP† 724586 AX0

CAPITAL APPRECIATION BONDS

CUSIP† Prefix: 724586

Maturity (September 1)	Denominational Amount	Accretion Rate	Reoffering Yield	Maturity Value	CUSIP† Suffix
2020	$ 65,966.25	10.976%	5.180%	$ 175,000	AY8
2021	118,562.50	10.976	5.420	350,000	AA0
2022	167,431.00	10.976	5.660	550,000	AB8
2023	205,170.00	10.976	5.870	750,000	AC6
2024	233,548.00	10.976	6.070	950,000	AD4
2025	259,592.75	10.976	6.320	1,175,000	AE2
2026	272,992.50	10.976	6.530	1,375,000	AF9
2027	285,472.00	10.976	6.650	1,600,000	AG7
2028	296,610.50	10.976	6.750	1,850,000	AH5
2029	590,646.00	7.120	7.120	2,100,000	AJ1
2030	606,135.50	7.210	7.210	2,350,000	AK8
2031	619,841.25	7.300	7.300	2,625,000	AL6
2032	623,268.00	7.410	7.410	2,900,000	AM4
2033	623,760.50	7.490	7.490	3,175,000	AN2
2034	623,067.50	7.570	7.570	3,475,000	AP7
2035	619,704.00	7.630	7.630	3,775,000	AQ5
2036	619,961.00	7.660	7.660	4,100,000	AR3
2037	617,553.00	7.680	7.680	4,425,000	AS1
2038	605,038.50	7.680	7.680	4,675,000	AT9
2039	589,522.50	7.690	7.690	4,925,000	AU6
2040	924,261.50	7.700	7.700	8,350,000	AV4
2041	344,741.25	10.976	7.270	8,625,000	AW2
2042	87,106.00	10.976	7.280	2,425,000	AZ5

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Involvement of Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, their 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.

Information Subject to Change. 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 Authority or the District since the date hereof. All summaries of the documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Offer and Sale of Bonds. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY A FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE" and APPENDIX H—SPECIMEN MUNICIPAL BOND INSURANCE POLICY.

The District maintains a website. Unless specifically indicated otherwise, the information presented on such website is ***not*** incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

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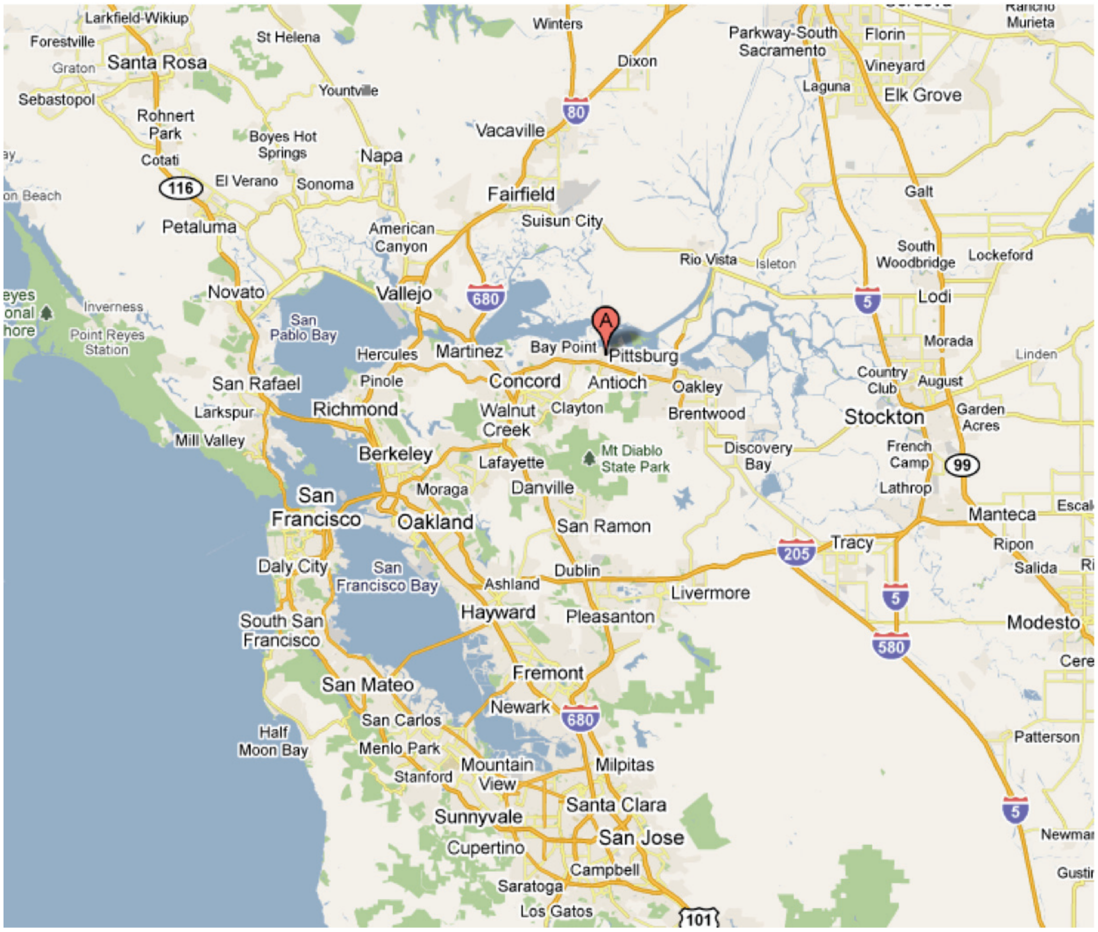
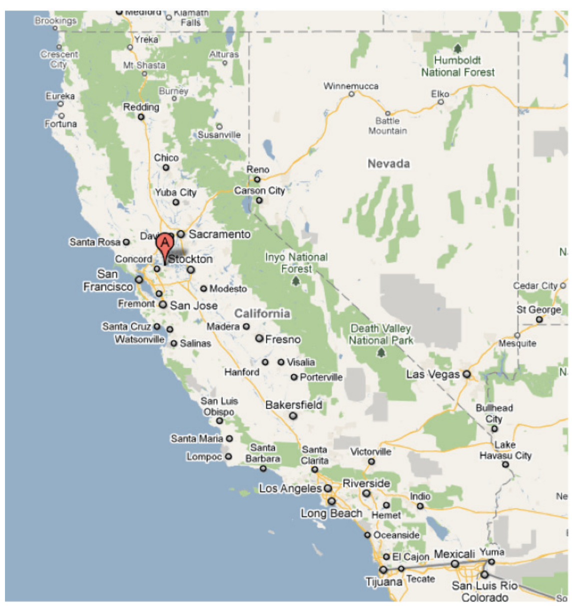
PITTSBURG UNIFIED SCHOOL DISTRICT
2000 Railroad Avenue
Pittsburg, California 94565
(925) 473-2300
http://www.pittsburg.k12.ca.us/

LOCATION MAPS





$59,999,952
PITTSBURG UNIFIED SCHOOL DISTRICT FINANCING AUTHORITY
2011 General Obligation Revenue Bonds
(Pittsburg Unified School District Bond Program)

INTRODUCTION

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

This Official Statement is furnished in connection with the offering of $59,999,952 Pittsburg Unified School District Financing Authority 2011 General Obligation Revenue Bonds (Pittsburg Unified School District Bond Program) (the "Bonds"), issued by the Pittsburg Unified School District Financing Authority (the "Authority").

The Bonds are being issued in accordance with Chapter 5, Division 7, Title 1 of the California Government Code, commencing with section 6500 (the "Bond Law"), a resolution (the "Resolution") adopted by the Authority on June 22, 2011, and an Indenture of Trust, dated as of July 1, 2011 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

Use of Proceeds

The proceeds of the Bonds will be used to purchase, on the date of delivery of the Bonds, (i) the $35,000,000 Pittsburg Unified School District General Obligation Bonds, Election of 2006, Series C (the "2006 District Bonds"), and (ii) the $24,999,952 Pittsburg Unified School District General Obligation Bonds, Election of 2010, Series A (the "2010 District Bonds" and, with the 2006 District Bonds, the "District Bonds"). See "PLAN OF FINANCE" herein.

The 2006 District Bonds will be issued by the Pittsburg Unified School District (the "District") concurrently with the issuance of the Bonds, pursuant to a resolution, adopted by the Board of Trustees of the District on June 22, 2011 (the "2006C Bond Resolution"). The 2010 District Bonds will be issued by the District, concurrently with the issuance of the Bonds, pursuant to a resolution, adopted by the Board of Trustees of the District on June 22, 2011 (the "2010A Bond Resolution" and, with the 2006C Bond Resolution, the "District Bond Resolutions").

Definitions and Summaries

Definitions of certain terms used in this Official Statement are set forth in APPENDIX C—SUMMARY OF THE INDENTURE, THE 2006C BOND RESOLUTION AND THE 2010A BOND RESOLUTION. This Official Statement contains brief descriptions of, among other things, the Bonds, the Indenture, the 2006 District Bonds, the 2006C Bond Resolution, the 2010 District Bonds, the 2010A Bond Resolution, the Authority and the District. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to those documents, and references to the Bonds are qualified in their entirety by reference to the form of Bond included in the Indenture. Copies of the Indenture, the 2006C Bond Resolution, the 2010A Bond Resolution and other documents described in this Official Statement may be obtained from the Trustee.

Security for the Bonds

The Bonds are secured by a pledge of and lien on the Revenues, consisting primarily of payments of principal and interest made with respect to the District Bonds. See "PLAN OF FINANCE—Debt Service Schedules" and "SECURITY FOR THE BONDS."

NONE OF THE AUTHORITY, ANY AUTHORITY MEMBER OR ANY PERSON EXECUTING THE BONDS IS LIABLE PERSONALLY ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF CERTAIN REVENUES UNDER THE INDENTURE. NEITHER THE AUTHORITY, ITS MEMBERS, THE STATE OF CALIFORNIA, NOR ANY OF ITS POLITICAL SUBDIVISIONS SHALL BE DIRECTLY, INDIRECTLY, CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS TO PAY ALL OR ANY PORTION OF THE DEBT SERVICE DUE ON THE BONDS, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE BONDS ARE NOT A PLEDGE OF THE FAITH AND CREDIT **OF THE AUTHORITY, ITS MEMBERS, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS NOR DO THEY CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE AUTHORITY HAS NO TAXING POWER.**

See the section of this Official Statement entitled "BONDHOLDERS' RISKS" for a discussion of special factors that should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds.

Municipal Bond Insurance

Payment of the principal of and and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy (the "Municipal Bond Insurance Policy") to be issued by Assured Guaranty Municipal Corp. ("AGM") simultaneously with the delivery of the Bonds. See "MUNICIPAL BOND INSURANCE."

The Authority

Under Title 1, Division 7, Chapter 5 of the California Government Code (the "JPA Act"), the District and the California Municipal Finance Authority ("CMFA") have entered into a joint exercise of powers agreement (the "JPA Agreement") forming the Authority for the purpose of exercising powers common to the members and to exercise the additional powers granted to the Authority by the JPA Act and any other applicable provisions of California law. Under the JPA Agreement, the Authority may issue bonds, notes or any other evidence of indebtedness, for any purpose or activity permitted under the JPA Act or any other applicable law. See "THE AUTHORITY."

The Bonds

The Bonds will be issued as current interest bonds and capital appreciation bonds and will mature serially on each September 1 in the amounts and years as set forth on the inside cover page hereof.

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

The Bonds are subject to redemption. See "THE BONDS—Redemption."

The District

The District includes approximately 25 square miles in the northern part of Contra Costa County (the "County") and provides educational services (K-12) services to the residents of most of the City of Pittsburg (the "City"). The District operates eight elementary schools, two middle schools and two high schools, serving over 9,500 students. The estimated population of the District is 52,723.

The District is under the authority of the Contra Costa County Office of Education. For more complete information concerning the District, including certain financial information, see "THE DISTRICT" and "DISTRICT FINANCIAL INFORMATION."

The District Bonds

The District Bonds are general obligation bonds of the District, the proceeds of which will be used to finance the projects authorized by the voters of the District pursuant to bond authorizations approved in 2006 and 2010. See "PLAN OF FINANCE" and "SECURITY FOR THE BONDS—District Bonds" herein.

The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of the principal or accreted value of and interest on the District Bonds upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), all as more fully described herein.

Tax Matters

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

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued and received by the purchasers, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery in New York, New York on or about July 14, 2011.

Continuing Disclosure

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

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available for inspection at the office of the Associate Superintendent of Business Services, Pittsburg Unified School District, 2000 Railroad Avenue, Pittsburg, CA 94565, telephone (925) 473-2302. The District may impose a charge for copying, mailing and handling.

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

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

PLAN OF FINANCE

Application of Proceeds of the Bonds

The proceeds of the Bonds will be used to fund the Purchase Fund to be used to purchase the District Bonds.

Application of Proceeds of the 2006 District Bonds

The 2006 District Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on November 7, 2006, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of $85,000,000 (the "2006 Authorization"), (b) provide for the refunding, on a current basis, of the District's Certificates of Participation (2009 Capital Projects), currently outstanding in the principal amount of $33,895,000 (the "2009 Certificates"), and (c) pay for costs of issuance of the 2006 District Bonds. The District has previously issued its Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2006, Series A, under the 2006 Authorization in the aggregate principal amount of $15,000,000. The District has also previously issued its Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2006, Series B, under the 2006 Authorization in the aggregate principal amount of $35,000,000. The 2006 District Bonds represent the third and last issue of bonds under the 2006 Authorization.

Pursuant to an escrow deposit and trust agreement, dated the date of delivery of the 2006 District Bonds, by and between the District and U.S. Bank National Association, as trustee for the 2009 Certificates and as escrow bank, 2006 District Bond proceeds plus available moneys with respect to the 2009 Certificates, in an amount equal to the full outstanding principal amount of the 2009 Certificates, together with accrued interest with respect to the 2009 Certificates to September 1, 2011, will be deposited in an escrow fund and will be applied, on September 1, 2011, to the redemption of the 2009 Certificates.

A portion of the proceeds of the 2006 District Bonds will be transferred to the County Treasurer-Tax Collector for deposit in a building fund and applied to the financing of projects authorized for the 2006 District Bonds.

The remaining proceeds of the 2006 District Bonds will be applied to pay the costs of issuance of the 2006 District Bonds and an allocable portion of the costs of issuance of the Bonds.

Any premium received by the District in connection with the sale of the 2006 District Bonds will be transferred to the County Treasurer-Tax Collector for deposit in an interest and sinking fund and applied to pay debt service on the 2006 District Bonds.

Application of Proceeds of the 2010 District Bonds

The 2010 District Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on November 2, 2010, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of $100,000,000 (the "2010 Authorization"), and (b) pay for costs of issuance of the 2010 District Bonds. The 2010 District Bonds represent the first issue of bonds under the 2010 Authorization. Following the issuance of the 2010 District Bonds, $75,000,048 of the 2010 Authorization will remain unissued.

A portion of the proceeds of the 2010 District Bonds will be transferred to the County Treasurer-Tax Collector for deposit in a building fund and applied to the financing of projects authorized for the 2010 District Bonds.

The remaining proceeds of the 2010 District Bonds will be applied to pay the costs of issuance of the 2010 District Bonds and an allocable portion of the costs of issuance of the Bonds.

Any premium received by the District in connection with the sale of the 2010 District Bonds will be transferred to the County Treasurer-Tax Collector for deposit in an interest and sinking fund and applied to pay debt service on the 2010 District Bonds.

Sources and Uses of Funds

The estimated sources and uses of the Bonds are as follows:

Sources:	
Principal Amount of Bonds	$59,999,952.00
Plus: Original Issue Premium	1,811,971.25
Less: Underwriter's Discount	(539,999.57)
Less: Bond Insurance Premium	(417,082.71)
Total Sources	$60,854,840.97
Uses:	
Deposit in Purchase Fund (1)	$60,854,840.97
Total Uses	$60,854,840.97

(1) Of the amount deposited in the Purchase Fund, $35,000,000.00 will be applied to the purchase of the 2006 District Bonds and $25,854,840.97 will be applied to the purchase of the 2010 District Bonds.

The estimated sources and uses of the 2006 District Bonds are as follows:

Sources:	
Principal Amount of Bonds	$35,000,000.00
Plus: Released 2009 Certificate Moneys	26,826,842.43
Total Sources	$61,826,842.43
Uses:	
Deposit in Escrow Fund	$34,865,015.63
Deposit in Building Fund	26,786,826.66
Costs of Issuance (2)	175,000.14
Total Uses	$61,826,842.43

(2) Reflects a *pro rata* share of all costs of issuance including, but not limited to, costs of printing and fees of Bond Counsel, Disclosure Counsel, Trustee, Paying Agent, Escrow Bank, Financial Advisor and rating agencies.

The estimated sources and uses of the 2010 District Bonds are as follows:

Sources:	
Principal Amount of Bonds	$24,999,952.00
Plus: Premium	854,888.97
Total Sources	$25,854,840.97
Uses:	
Deposit in Building Fund	$24,874,952.14
Deposit in Interest and Sinking Fund	854,888.97
Costs of Issuance (3)	124,999.86
Total Uses	$25,854,840.97

(3) Reflects a *pro rata* share of all costs of issuance including, but not limited to, costs of printing and fees of Bond Counsel, Disclosure Counsel, Trustee, Paying Agent, Financial Advisor and rating agencies.

Debt Service and Coverage Schedules

The following table sets forth the semi-annual debt service requirements of the Bonds (assuming no early redemption).

Interest Payment Date	Principal Payments (1)	Interest Payments (2)	Total Payments
3/1/12	—	$ 1,734,027.78	$ 1,734,027.78
9/1/12	—	1,375,000.00	1,375,000.00
3/1/13	—	1,375,000.00	1,375,000.00
9/1/13	—	1,375,000.00	1,375,000.00
3/1/14	—	1,375,000.00	1,375,000.00
9/1/14	—	1,375,000.00	1,375,000.00
3/1/15	—	1,375,000.00	1,375,000.00
9/1/15	—	1,375,000.00	1,375,000.00
3/1/16	—	1,375,000.00	1,375,000.00
9/1/16	—	1,375,000.00	1,375,000.00
3/1/17	—	1,375,000.00	1,375,000.00
9/1/17	—	1,375,000.00	1,375,000.00
3/1/18	—	1,375,000.00	1,375,000.00
9/1/18	—	1,375,000.00	1,375,000.00
3/1/19	—	1,375,000.00	1,375,000.00
9/1/19	—	1,375,000.00	1,375,000.00
3/1/20	—	1,375,000.00	1,375,000.00
9/1/20	$ 65,966.25	1,484,033.75	1,550,000.00
3/1/21	—	1,375,000.00	1,375,000.00
9/1/21	118,562.50	1,606,437.50	1,725,000.00
3/1/22	—	1,375,000.00	1,375,000.00
9/1/22	167,431.00	1,757,569.00	1,925,000.00
3/1/23	—	1,375,000.00	1,375,000.00
9/1/23	205,170.00	1,919,830.00	2,125,000.00
3/1/24	—	1,375,000.00	1,375,000.00
9/1/24	233,548.00	2,091,452.00	2,325,000.00
3/1/25	—	1,375,000.00	1,375,000.00
9/1/25	259,592.75	2,290,407.25	2,550,000.00
3/1/26	—	1,375,000.00	1,375,000.00
9/1/26	272,992.50	2,477,007.50	2,750,000.00
3/1/27	—	1,375,000.00	1,375,000.00
9/1/27	285,472.00	2,689,528.00	2,975,000.00
3/1/28	—	1,375,000.00	1,375,000.00
9/1/28	296,610.50	2,928,389.50	3,225,000.00
3/1/29	—	1,375,000.00	1,375,000.00
9/1/29	590,646.00	2,884,354.00	3,475,000.00
3/1/30	—	1,375,000.00	1,375,000.00
9/1/30	606,135.50	3,118,864.50	3,725,000.00
3/1/31	—	1,375,000.00	1,375,000.00
9/1/31	619,841.25	3,380,158.75	4,000,000.00
3/1/32	—	1,375,000.00	1,375,000.00
9/1/32	623,268.00	3,651,732.00	4,275,000.00
3/1/33	—	1,375,000.00	1,375,000.00
9/1/33	623,760.50	3,926,239.50	4,550,000.00
3/1/34	—	1,375,000.00	1,375,000.00
9/1/34	623,067.50	4,226,932.50	4,850,000.00
3/1/35	—	1,375,000.00	1,375,000.00
9/1/35	619,704.00	4,530,296.00	5,150,000.00
3/1/36	—	1,375,000.00	1,375,000.00
9/1/36	619,961.00	4,855,039.00	5,475,000.00
3/1/37	—	1,375,000.00	1,375,000.00
9/1/37	617,553.00	5,182,447.00	5,800,000.00
3/1/38	—	1,375,000.00	1,375,000.00
9/1/38	605,038.50	5,444,961.50	6,050,000.00
3/1/39	—	1,375,000.00	1,375,000.00
9/1/39	589,522.50	5,710,477.50	6,300,000.00
3/1/40	—	1,375,000.00	1,375,000.00
9/1/40	924,261.50	8,800,738.50	9,725,000.00
3/1/41	—	1,375,000.00	1,375,000.00
9/1/41	344,741.25	9,655,258.75	10,000,000.00
3/1/42	—	1,375,000.00	1,375,000.00
9/1/42	6,557,106.00	3,712,894.00	10,270,000.00
3/1/43	—	1,197,075.00	1,197,075.00
9/1/43	9,565,000.00	1,197,075.00	10,762,075.00
3/1/44	—	934,037.50	934,037.50
9/1/44	10,405,000.00	934,037.50	11,339,037.50
3/1/45	—	647,900.00	647,900.00
9/1/45	11,300,000.00	647,900.00	11,947,900.00
3/1/46	—	337,150.00	337,150.00
9/1/46	12,260,000.00	337,150.00	12,597,150.00
Total	$59,999,952.00	$148,541,400.78	$208,541,352.78

(1) Includes sinking fund installments with respect to the Current Interest Bonds.
(2) Includes accreted interest with respect to the Capital Appreciation Bonds.

The following table sets forth the total debt service on the District Bonds and the Bonds and the debt service coverage (assuming no optional redemption).

Year Ending (September 1)	2006 Bond Debt Service (1)	2010 Bond Debt Service (1)	Total District Bond Debt Service	Total Bond Debt Service	Debt Service Coverage
2012	$ 200,000.00	$ 2,909,027.78	$ 3,109,027.78	$ 3,109,027.78	1.00x
2013	275,000.00	2,475,000.00	2,750,000.00	2,750,000.00	1.00x
2014	325,000.00	2,425,000.00	2,750,000.00	2,750,000.00	1.00x
2015	420,000.00	2,330,000.00	2,750,000.00	2,750,000.00	1.00x
2016	520,000.00	2,230,000.00	2,750,000.00	2,750,000.00	1.00x
2017	635,000.00	2,115,000.00	2,750,000.00	2,750,000.00	1.00x
2018	740,000.00	2,010,000.00	2,750,000.00	2,750,000.00	1.00x
2019	860,000.00	1,890,000.00	2,750,000.00	2,750,000.00	1.00x
2020	980,000.00	1,945,000.00	2,925,000.00	2,925,000.00	1.00x
2021	1,110,000.00	1,990,000.00	3,100,000.00	3,100,000.00	1.00x
2022	1,240,000.00	2,060,000.00	3,300,000.00	3,300,000.00	1.00x
2023	1,375,000.00	2,125,000.00	3,500,000.00	3,500,000.00	1.00x
2024	1,520,000.00	2,180,000.00	3,700,000.00	3,700,000.00	1.00x
2025	1,670,000.00	2,255,000.00	3,925,000.00	3,925,000.00	1.00x
2026	1,820,000.00	2,305,000.00	4,125,000.00	4,125,000.00	1.00x
2027	1,980,000.00	2,370,000.00	4,350,000.00	4,350,000.00	1.00x
2028	2,150,000.00	2,450,000.00	4,600,000.00	4,600,000.00	1.00x
2029	2,320,000.00	2,530,000.00	4,850,000.00	4,850,000.00	1.00x
2030	2,495,000.00	2,605,000.00	5,100,000.00	5,100,000.00	1.00x
2031	2,685,000.00	2,690,000.00	5,375,000.00	5,375,000.00	1.00x
2032	2,880,000.00	2,770,000.00	5,650,000.00	5,650,000.00	1.00x
2033	3,085,000.00	2,840,000.00	5,925,000.00	5,925,000.00	1.00x
2034	3,290,000.00	2,935,000.00	6,225,000.00	6,225,000.00	1.00x
2035	3,510,000.00	3,015,000.00	6,525,000.00	6,525,000.00	1.00x
2036	3,735,000.00	3,115,000.00	6,850,000.00	6,850,000.00	1.00x
2037	3,975,000.00	3,200,000.00	7,175,000.00	7,175,000.00	1.00x
2038	4,220,000.00	3,205,000.00	7,425,000.00	7,425,000.00	1.00x
2039	4,480,000.00	3,195,000.00	7,675,000.00	7,675,000.00	1.00x
2040	7,885,000.00	3,215,000.00	11,100,000.00	11,100,000.00	1.00x
2041	8,160,000.00	3,215,000.00	11,375,000.00	11,375,000.00	1.00x
2042	8,450,000.00	3,195,000.00	11,645,000.00	11,645,000.00	1.00x
2043	8,745,000.00	3,214,150.00	11,959,150.00	11,959,150.00	1.00x
2044	9,060,000.00	3,213,075.00	12,273,075.00	12,273,075.00	1.00x
2045	9,380,000.00	3,215,800.00	12,595,800.00	12,595,800.00	1.00x
2046	9,720,000.00	3,214,300.00	12,934,300.00	12,934,300.00	1.00x
Total	$115,895,000.00	$92,646,352.78	$208,541,352.78	$208,541,352.78	

(1) The District Bonds pay principal and interest on each February 1 and August 1.

THE BONDS

General

Under the Indenture, all of the Authority's right, title and interest in and to the District's payments of principal of and interest on the District Bonds are pledged to secure the payment of the principal of and interest on the Bonds, and such payments constitute the sole source of payment of principal of, premium, if any, and interest payable on the Bonds (except to the extent of certain amounts, including the proceeds of the Bonds, held in certain funds under the Indenture and investment earnings thereon, available for such payment).

Description of the Bonds

A portion of the Bonds are issued as current interest bonds (the "Current Interest Bonds"), in the principal amount of $50,000,000.

A portion of the Bonds are issued as capital appreciation bonds (the "Capital Appreciation Bonds"), in the initial principal amount of $9,999,952.

Current Interest Bonds. The Current Interest Bonds shall be issued in fully registered form without coupons in denominations of $5,000 or any integral multiple thereof, so long as no Current Interest Bond shall have more than one maturity date. The Current Interest Bonds shall be dated the Closing Date, and shall mature on September 1 in each of the years and in the amounts, and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as shown on the inside cover.

Interest on the Current Interest Bonds shall be payable on each March 1 and September 1 (each, an "Interest Payment Date"), commencing March 1, 2012, to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check or draft of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books as of the preceding Record Date; *provided, however,* that at the written request of the Owner of at least $1,000,000 in aggregate principal amount of Outstanding Current Interest Bonds filed with the Trustee prior to any Record Date, interest on such Current Interest Bonds shall be paid to such Owner on each succeeding Interest Payment Date by wire transfer of immediately available funds to an account in the continental United States designated in such written request. Principal of any Current Interest Bond shall be paid upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Trust Office of the Trustee. The principal of the Current Interest Bonds shall be payable in lawful money of the United States of America.

Each Current Interest Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (ii) it is authenticated on or before February 15, 2012, in which event it shall bear interest from the Closing Date for such Current Interest Bonds; *provided, however,* that if, as of the date of authentication of any Current Interest Bond, interest thereon is in default, such Current Interest Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Capital Appreciation Bonds. The Capital Appreciation Bonds shall be issued in fully registered form without coupons in denominations equal to Maturity Values of $5,000 or any integral multiple thereof, maturing on September 1 in each of the years and in the Maturity Values as set forth on the inside cover page of this Official Statement. Interest on the Capital

Appreciation Bonds shall compound on each Interest Payment Date and such interest shall be payable solely at maturity thereof as hereinafter provided.

Each Capital Appreciation Bond shall be dated as of the Closing Date. The Accreted Value of the Capital Appreciation Bonds shall be payable solely at maturity to the Owners thereof upon presentation and surrender thereof at the Trust Office of the Trustee, except as otherwise provided in the Indenture with respect to Capital Appreciation Bonds registered in the name of the Depository. The Accreted Value of the Capital Appreciation Bonds shall be payable in lawful money of the United States of America.

The Bonds, when issued, will be registered in the name of Cede & Co. as the registered owner and nominee of DTC. DTC will act as a securities depository for the Bonds. Individual purchases may be made in book-entry-only form. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds so purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein and in the Indenture to the owners of the Bonds or Bond owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. In this Official Statement, the term "Beneficial Owner" or "purchaser" shall mean the person for whom the DTC Participant acquires an interest in the Bonds. See APPENDIX F—BOOK-ENTRY ONLY SYSTEM.

Redemption

Current Interest Bonds.

Optional Redemption. The Current Interest Bonds are subject to redemption, at the option of the District (among maturities as determined by the Authority, as set forth in a Certificate of the District delivered to the Trustee at least 40 days prior to the redemption date, or such lesser number of days as the Trustee shall allow), on any date on or after September 1, 2021, as a whole or in part, from any available moneys, at a redemption price equal to the principal amount of the Current Interest Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Current Interest Bonds shall are also subject to mandatory redemption in whole, or in part by lot, on September 1 in each year commencing September 1, 2042, from payments made by the Authority into the Principal Account pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table; *provided, however*, that (i) in lieu of redemption thereof on September 1 in any year, all or a portion the Current Interest Bonds may be purchased by the Authority and tendered to the Trustee for cancellation not later than the preceding July 15, and (ii) if some but not all of the Current Interest Bonds have been redeemed, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of such Current Interest Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis at the written direction of the Authority.

Sinking Fund Redemption Date (September 1)	Principal Amount to be Redeemed or Purchased
2042	$ 6,470,000
2043	9,565,000
2044	10,405,000
2045	11,300,000
2046†	12,260,000

†Maturity.

Capital Appreciation Bonds.

Optional Redemption. The Capital Appreciation Bonds maturing on September 1, 2020, to and including September 1, 2028, September 1, 2041, and September 1, 2042, are non-callable.

The Capital Appreciation Bonds maturing on September 1, 2029, to and including September 1, 2040, are subject to redemption, at the option of the District (among maturities as determined by the Authority, as set forth in a Certificate of the District delivered to the Trustee at least 40 days prior to the redemption date, or such lesser number of days as the Trustee shall allow), on any date on or after September 1, 2021, as a whole or in part, from any available moneys, at a redemption price equal to the accreted value of the Capital Appreciation Bonds to be redeemed, without premium.

Notice of Redemption. The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to one or more Information Services, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption; *provided, however,* that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers (but only if less than all of the Outstanding Bonds are to be redeemed) and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Notwithstanding the foregoing, in the case of any optional redemption of the Bonds, the notice of redemption shall state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Bonds on the anticipated redemption date, and that the optional redemption shall not occur if by no later than the scheduled redemption date sufficient moneys to redeem the Bonds have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled optional redemption date to so redeem the Bonds to be optionally redeemed, the Trustee shall send written notice to the owners of the Bonds, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes of this Indenture.

Selection of Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds of any maturity, the Trustee shall select the Bonds to be redeemed from all Bonds of such maturity not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Bonds shall be deemed to be comprised of separate $5,000 portions and such portions shall be treated as separate Bonds which may be separately redeemed.

Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal, Accreted Value or Maturity Value of and interest on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice.

Transfer and Exchange

Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like maturity and aggregate principal amount. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the District. The Trustee shall not be required to transfer, either (a) all Bonds during the period established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected for redemption.

The Bonds may be exchanged at the Trust Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the District. The Trustee shall not be required to exchange, either (a) all Bonds during the period established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected for redemption.

Mutilated, Lost, Destroyed or Stolen Bonds

If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like series, tenor and authorized denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and destroyed. If any Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity for the Trustee and the Authority satisfactory to the Trustee shall be given, the Authority, at the expense of the Bond Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like series and tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The Trustee may require payment of a reasonable fee for each new Bond issued and of the expenses which may be incurred by the Authority and the Trustee. Any Bond issued in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the Authority whether or not the Bond alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

Book-Entry Only System

The Bonds will be issuable in fully registered form only and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). DTC will act as the depository of the Bonds and all payments due on the Bonds will be made to DTC or its nominee. Ownership interests in the Bonds may be purchased in book-entry form only. See APPENDIX F—BOOK-ENTRY SYSTEM.

SECURITY FOR THE BONDS

The Indenture

The Bonds are limited obligations of the Authority entitled to the benefits of the Indenture and are payable solely from and secured by the funds and accounts pledged therefore and held by the Trustee pursuant to the Indenture and from an assignment and pledge of the Authority's interest in the payments of principal and interest made by the District on the District Bonds. See APPENDIX C—SUMMARY OF THE INDENTURE, THE 2006C BOND RESOLUTION AND THE 2010A BOND RESOLUTION.

District Bonds

Authority for Issuance. The District Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code, and the District Bond Resolutions.

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

Security for the District Bonds. The District Bonds represent general obligations of the District payable solely from *ad valorem* property taxes levied and collected pursuant to the 2006 Authorization and the 2010 Authorization. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes for the payment of the District Bonds, and the interest thereon, upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes are required to be levied annually, in addition to all other taxes, during the period that the District Bonds are outstanding in an amount sufficient to pay the principal of and interest on the District Bonds when due. Such taxes, when collected, will be deposited, with respect to the Bonds, into the Pittsburg School District General Obligation Bond Interest and Sinking Fund (the "Interest and Sinking Fund"), which will be held and maintained by the County Treasurer and which is required by the California Education Code to be applied for the payment of principal of and interest on the Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the District Bonds, and the County Treasurer will maintain the Interest and Sinking Fund, the District Bonds are a debt of the District, not the County.

The moneys in the Interest and Sinking Fund, to the extent necessary to pay the principal of and interest on the District Bonds as the same become due and payable, will be transferred by County, through the County Treasurer, to the Paying Agent which, in turn, will make payments of principal and interest on the Bonds to the Authority as owner of the District Bonds.

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

MUNICIPAL BOND INSURANCE

AGM has supplied the following information for inclusion in this Official Statement. Neither the City nor the Underwriter makes any representation as to the accuracy or completeness of this information or as to the absence of material adverse changes in this information subsequent to the date hereof. Reference is made to APPENDIX H—SPECIMEN MUNICIPAL BOND INSURANCE POLICY for a specimen of the Municipal Bond Insurance Policy to be issued by AGM.

The Municipal Bond Insurance Policy

Concurrently with the issuance of the Bonds, AGM will issue the Municipal Bond Insurance Policy. The Municipal Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Municipal Bond Insurance Policy included as APPENDIX H—SPECIMEN MUNICIPAL BOND INSURANCE POLICY.

The Municipal Bond Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled municipal bond insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA+" (stable outlook) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 13, 2011, S&P issued a release stating that it had affirmed the "AA+" financial strength rating of AGM, with a stable outlook. Reference is made to the release, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On January 24, 2011, S&P published a Request for Comment: Bond Insurance Criteria (the "Bond Insurance RFC") in which it requested comments on its proposed changes to its bond insurance ratings criteria. In the Bond Insurance RFC, S&P notes that it could lower its financial strength ratings on existing investment-grade bond insurers (including AGM) by one or more rating categories if the proposed bond insurance ratings criteria are adopted, unless those bond insurers (including AGM) raise additional capital or reduce risk. Reference is made to the Bond Insurance RFC, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2011, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, which was filed by AGL with the SEC on May 10, 2011.

Capitalization of AGM

At March 31, 2011, AGM's consolidated policyholders' surplus and contingency reserves were approximately $3,058,791,206 and its total net unearned premium reserve was approximately $2,285,987,748, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (which was filed by AGL with the SEC on March 1, 2011); and

(ii) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 (which was filed by AGL with the SEC on May 10, 2011); and

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured

Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE—Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE."

THE AUTHORITY

Under Title 1, Division 7, Chapter 5 of the California Government Code (the "JPA Act"), the District and CMFA have entered into a joint exercise of powers agreement (the "JPA Agreement") forming the Authority for the purpose of exercising powers common to the members and to exercise the additional powers granted to the Authority by the JPA Act and any other applicable provisions of California law. Under the JPA Agreement, the Authority may issue bonds, notes or any other evidence of indebtedness, for any purpose or activity permitted under the JPA Act or any other applicable law.

The Authority may sell and deliver obligations other than the Bonds. These obligations will be secured by instruments separate and apart from the Indenture and the holders of such other obligations of the Authority will have no claim on the security for the Bonds. Likewise, the Owners of the Bonds will have no claim on the security for such other obligations that may be issued by the Authority.

CONTRA COSTA COUNTY INVESTMENT POOL

This section provides a general description of the County's investment policy, current portfolio holdings, and valuation procedures. The information has been adapted from material prepared by the County for inclusion in this Official Statement. The District makes no representation as to the accuracy or completeness of such information. Further information may be obtained from the office of the Treasurer-Tax Collector of the County, 625 Court Street, Room 100, Martinez, CA 94553-1282, telephone: 925-957-2888.

Funds held by the County in the Investment Pool (the "County Pool") are invested in accordance with the County's Statement of Investment Policy prepared by the County Treasurer-Tax Collector (the "Treasurer") as authorized by section 53601 of the Government Code of California. The Investment Policy is submitted to the County Board of Supervisors annually. The Treasurer is in the process of preparing amendments to the County's Investment Policy for approval by County Board of Supervisors to reflect changes to State law. The Treasurer does not anticipate any major substantive changes to the Investment Policy in connection with the approval of these amendments.

The County Pool represents moneys entrusted to the Treasurer by the County and schools and special districts within the County. State law requires that all moneys of the County, school districts, and certain special districts be held by the Treasurer.

Moneys deposited in the County Pool by the participants represent an individual interest in all assets and investments in the County Pool based upon the amount deposited. All income is distributed to participants based on the average daily balance.

The Treasurer's Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made.

Funds on deposit with the Treasurer are managed to insure preservation of capital through high quality investments, maintenance of liquidity and then yield. Further, no single investment of operating funds can exceed five years.

The book value of the Portfolio structure of the County Pool as of March 31, 2010, was as follows:

PORTFOLIO STATISTICS
Contra Costa County
As of March 31, 2011

Type	Par Value	Cost	Fair Value	Percent of Total Cost
U.S. Treasuries (STRIPS, Bills, Notes)	$ 26,130,000.00	$ 25,945,593.64	$ 26,087,534.50	1.25%
U.S. Agencies	286,112,000.00	289,526,932.94	289,635,540.65	14.00
Money Market Instruments	969,582,076.96	969,958,094.72	969,937,101.33	46.90
Local Agency Investment Fund	387,534,625.22	387,534,625.22	388,023,753.98	18.74
Other	219,656,410.03	220,783,898.72	220,803,482.80	7.04
Cash	174,404,302.62	174,404,302.62	174,404,302.62	8.43
Total	$2,063,419,414.83	$2,068,153,447.86	$2,068,891,715.88	100.00%

The portfolio is in compliance with the County's Investment Policy. The investments in the County Pool are scheduled to mature at the times and in the amounts necessary to meet the County's expenditures and other scheduled withdrawals.

THE DISTRICT

General Information

The District includes approximately 25 square miles in the northern part of the County and provides educational services (K-12) services to the residents of most of the City. The District operates eight elementary schools, two middle schools, one high school and one continuing education high school, serving over 9,500 students. The estimated population of the District is 52,723.

Board of Trustees

The District is governed by the Board, consisting of five members. Members are elected to four-year terms in staggered years. The day-to-day operations are managed by a board-appointed Superintendent of Schools. Ms. Linda Rondeau has served in this capacity since July 1, 2010.

Name	Position	Expiration of Term
Dr. William Wong	President	November 2014
Dr. Laura Canciamilla	Vice President	November 2012
Vincent S. Ferrante	Trustee	November 2014
Robert Belleci	Trustee	November 2014
George Miller	Trustee	November 2012

The administrative staff of the District includes Enrique E. Palacios, Associate Superintendent of Business Services; Dorothy Epps, Assistant Superintendent, Human Resources; and Abe Doctolero, Assistant Superintendent, Educational Services.

Average Daily Attendance and Base Revenue Limit

The following table summarizes the historical and current year estimated average daily attendance for the District.

AVERAGE DAILY ATTENDANCE
(Second Period Report)
Pittsburg Unified School District

Fiscal Year	Average Daily Attendance
2004-05	8,966
2005-06	8,714
2006-07	8,873
2007-08	8,847
2008-09	9,030
2009-10	9,079
	Projected
2010-11	9,487

Source: Pittsburg Unified School District

The District is not a Basic Aid District. The District's statutory base revenue limit per A.D.A. under the State revenue limit formula was $6,379.09 for 2009-10, and is projected to be $6,354.09 per A.D.A. for 2010-11. See “GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — State Funding of School Districts.”

SECURITY AND SOURCE OF PAYMENT FOR THE DISTRICT BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the District 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, including the countywide tax of 1% of taxable value. When collected, the tax revenues will be deposited by the County in the District’s Interest and Sinking Fund, 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 levy property taxes for payment of voter-approved bonds and receive property taxes for general operating purposes as well. The District receives approximately 8.87% of its total operating revenues from local property taxes.

Local property taxation is the responsibility of various county officers. 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 and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on such bonds when due. Taxes on property in a school district whose boundaries extend into more than one county are administered separately by the county in which the property is located. The State Board of Equalization also assesses certain special classes of property, as described later in this section.

Assessed Valuation of Property Within the District

Under Proposition 13, an amendment to the California Constitution adopted in 1978, the county assessor's valuation of real property is established as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed 2% per year, or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than that of similar properties more recently sold, and may be lower than its own market value. Likewise, changes in ownership of property and reassessment of such property to market value commonly will lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full 2% increase on any property that has not changed ownership. See "DISTRICT FINANCIAL INFORMATION" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

For assessment and tax collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed 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."

The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the District Bonds. The following table shows recent history of taxable property assessed valuation in the District.

The table below shows the assessed valuation in the District for fiscal years 2006-07 to 2010-11.

HISTORIC ASSESSED VALUATIONS
Pittsburg Unified School District

Fiscal Year	Local Secured	Utility	Unsecured	Total (Before Redev.)	% Change
2006-07	$4,242,668,038	$529,088,058	$688,977,202	$5,460,733,298	11.77
2007-08	4,466,682,189	493,394,418	650,336,655	5,610,413,262	2.74
2008-09	4,217,830,090	515,631,604	725,978,921	5,459,440,615	(2.69)
2009-10	3,351,118,609	500,377,913	807,626,999	4,659,123,521	(14.66)
2010-11	3,236,198,324	501,224,377	859,764,935	4,597,187,636	(1.33)

Source: California Municipal Statistics, Inc.

2010-11 ASSESSED VALUATION BY JURISDICTION (1)
Pittsburg Unified School District

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Pittsburg	$4,493,988,093	97.76%	$ 5,518,883,514	81.43%
Unincorporated County	103,199,543	2.24	28,748,988,341	0.36%
Total	$4,597,187,636	100.00%	$141,267,056,649	3.25%

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

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

ASSESSED VALUATION AND PARCELS BY LAND USE
Pittsburg Unified School District
Fiscal Year 2010-11

	2010-11 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	$ 10,535,925	0.28%	55	0.36%
Commercial	220,749,036	5.91	249	1.65
Vacant Commercial	6,575,212	0.18	34	0.23
Industrial	666,244,780	17.83	145	0.96
Vacant Industrial	25,213,522	0.67	30	0.20
Recreational	182,466	0.00	1	0.01
	6,092,751	0.16	79	0.52
Government/Social/Institutional				
Power Plant/Utility Roll	501,224,377	13.41	20	0.13
Miscellaneous	16,008,956	0.43	49	0.32
Subtotal Non-Residential	$1,452,827,025	38.87%	662	4.38%
Residential:				
Single Family Residence	$1,891,838,542	50.62%	12,734	84.31%
Condominium/Townhouse	126,658,912	3.39	904	5.99
Mobile Home	5,210,100	0.14	295	1.95
2-4 Residential Units	48,859,214	1.31	350	2.32
5+ Residential	209,012,544	5.59	50	0.33
Units/Apartments				
Vacant Residential	3,016,364	0.08	109	0.72
Subtotal Residential	$2,284,595,676	61.13%	14,442	95.62%
Total	$3,737,422,701	100.00%	15,104	100.00%

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

The following table focuses on single-family residential properties only, which comprise approximately 51% of the assessed value of taxable property in the District. The average assessed value per parcel is $148,566, and the median assessed value per parcel is $142,500.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Pittsburg Unified School District
Fiscal Year 2010-11

	No. of Parcels	2010-11 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	12,734	$1,891,838,542	$148,566	$142,500

2010-11 Assessed Valuation	No. of Parcels (1)	% of Total	Cum. % of Total	Total Valuation	% of Total	Cum. % of Total
$0 - $24,999	19	0.149%	0.149%	$ 364,836	0.019%	0.019%
$25,000 - $49,999	815	6.400	6.549	32,914,040	1.740	1.759
$50,000 - $74,999	1,193	9.369	15.918	74,942,707	3.961	5.720
$75,000 - $99,999	1,443	11.332	27.250	126,048,819	6.663	12.383
$100,000 - $124,999	1,531	12.023	39.273	173,643,691	9.179	21.562
$125,000 - $149,999	1,730	13.586	52.858	236,847,597	12.519	34.081
$150,000 - $174,999	1,544	12.125	64.984	250,096,700	13.220	47.301
$175,000 - $199,999	1,723	13.531	78.514	321,295,671	16.983	64.284
$200,000 - $224,999	1,266	9.942	88.456	267,068,768	14.117	78.401
$225,000 - $249,999	575	4.515	92.972	136,850,921	7.234	85.635
$250,000 - $274,999	328	2.576	95.547	86,043,256	4.548	90.183
$275,000 - $299,999	203	1.594	97.142	57,857,770	3.058	93.241
$300,000 - $324,999	144	1.131	98.272	45,450,495	2.402	95.644
$325,000 - $349,999	80	0.628	98.901	26,725,497	1.413	97.056
$350,000 - $374,999	35	0.275	99.175	12,762,636	0.675	97.731
$375,000 - $399,999	87	0.683	99.859	33,384,694	1.765	99.496
$400,000 - $424,999	3	0.024	99.882	1,236,388	0.065	99.561
$425,000 - $449,999	5	0.039	99.921	2,205,199	0.117	99.678
$450,000 - $474,999	2	0.016	99.937	929,740	0.049	99.727
$475,000 - $499,999	3	0.024	99.961	1,467,725	0.078	99.804
$500,000 and greater	5	0.039	100.000	3,701,392	0.196	100.000
Total	12,734	100.000%		$1,891,838,542	100.000%	

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

Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical Tax Rate Area ("TRA") within the District from fiscal year 2006-07 to fiscal 2010-11.

DEFINITIONS AND SUMMARY OF AD VALOREM TAX RATES
Pittsburg Unified School District

Typical Total Tax Rates (TRA 7-004 – 2010-11 Assessed Valuation: $2,027,800,164)

	2006-07	2007-08	2008-09	2009-10	2010-11
County-wide Rate (a)	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Bay Area Rapid Transit District	0.0048	0.0050	0.0076	0.0057	0.0031
Contra Costa Community College District	0.0047	0.0043	0.0108	0.0126	0.0133
Pittsburg Unified School District	0.0606	0.0508	0.0948	0.1066	0.0848
East Bay Regional Park District	0.0057	0.0085	0.0080	0.0108	0.0084
Total All Property	1.0758%	1.0686%	1.1212%	1.1357%	1.1096%
Total Land Only	0.0050%	0.0043%	0.0039%	0.0048%	0.0049%

Source: California Municipal Statistics, Inc.
(a) Maximum rate for purposes other than paying debt service in accordance with Article XIIIA of the State Constitution

Alternative Method of Tax Apportionment

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in section 4701 *et seq*. of the California Revenue and Taxation Code. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within the County, with the County retaining all penalties and interest penalties affixed upon delinquent properties and redemptions of subsequent collections. Under the Teeter Plan, the County apportions secured property taxes on an cash basis to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities. Teeter Plan was effective beginning the fiscal year commencing July 1, 1993.

The Teeter Plan is applicable to secured property tax levies. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts, special assessment districts, and benefit assessment districts.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency, but penalties and interest would be credited to the political subdivisions.

Tax Levies and Delinquencies

Beginning in 1978-79, Article XIIIA and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior-voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each County.

The following table reflects the historical secured tax levy and year-end delinquencies for the District.

SECURED TAX CHARGE AND DELINQUENCY
Pittsburg Unified School District

Fiscal Year	Secured Tax Charge (1)	Amount Delinquent as of June 30	Percent Delinquent as of June 30
2005-06	$2,473,846.98	$ 77,065.29	3.12%
2006-07	2,369,523.11	153,218.56	6.47
2007-08	4,647,800.76	416,226.64	8.96
2008-09	2,649,861.72	145,038.33	5.47
2009-10	4,031,354.09	133,092.67	3.30

Source: California Municipal Statistics, Inc.
(1) General obligation bond debt service levy only. Prior years not available.

Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2010-11, representing 34.86% of the total assessed valuation.

FISCAL YEAR 2010-11 LARGEST LOCAL SECURED TAXPAYERS
Pittsburg Unified School District

	Property Owner	Primary Land Use	2010-11 Assessed Valuation	% of Total (1)
1.	Delta Energy Center LLC	Power Plant	$ 444,500,000	11.89%
2.	USS Posco Industries	Industrial	287,119,332	7.68
3.	Dow Chemical Company	Industrial	124,532,692	3.33
4.	Mitrant Delta LLC	Power Plant	83,100,000	2.22
5.	Kirker Creek BBS LP	Apartments	63,251,048	1.69
6.	Sierra Pacific Properties Inc.	Apartments	60,770,156	1.63
7.	GWF Power Systems	Industrial	43,496,249	1.16
8.	Fund VIII PR Pittsburg LLC	Apartments	23,046,167	0.62
9.	Albert D. Seeno Construction Co.	Shopping Center	19,739,748	0.53
10.	FRG Presidents Park III LLC	Apartments	19,173,641	0.51
11.	Contra Costa Waste Service Inc.	Industrial	19,080,109	0.51
12.	Aspen Loveridge LLC	Apartments	15,768,509	0.42
13.	Union Carbide Ind Gases Inc.	Industrial	15,222,998	0.41
14.	Valero Logistics Operations	Industrial	14,056,646	0.38
15.	Wal-Mart Real Estate Business	Shopping Center	13,690,620	0.37
16.	Signode Corporation	Industrial	12,562,737	0.34
17.	Don and Lonne Carr	Industrial	12,325,792	0.33
18.	Seeno Enterprises	Shopping Center	11,354,548	0.30
19.	Public Storage Inc.	Industrial	11,100,000	0.30
20.	Esther Sura and Robert Edward Berger	Shopping Center	9,043,329	0.24
			$1,302,934,321	34.86%

Source: California Municipal Statistics, Inc.
(1) 2010-11 Local Secured and Utility Assessed Valuation: $3,737,422,701.

Risk of Decline in Property Values; Earthquake Risk. Property values could be reduced by factors beyond the District's control, including earthquake and a depressed real estate market due to general economic conditions in the County, the region and the State.

The District is located in a seismically active region. Active earthquake faults underlie both the District and the surrounding Bay Area, including the Hayward and Calaveras Faults. Both are branches of the more famous San Andreas Fault underlying San Francisco and much of California. The Hayward Fault is considered one of the most active faults in California. The Calaveras Fault is a fork of the Hayward Fault. Significant recent seismic events include the 1989 Loma Prieta earthquake on the San Andreas Fault, centered about 60 miles south of San Francisco, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires and collapse of and structural damage to buildings, highways and bridges in the Bay Area.

In April 2008, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey, the California Geological Society, and the Southern California Earthquake Center) reported that there is a 63% chance that one or more quakes of magnitude 6.7 or larger will occur in the Bay Area before the year 2038. Such earthquakes may be very destructive. For example, the U.S.G.S. predicts a magnitude 7 earthquake occurring today on the Hayward Fault would likely cause hundreds of deaths and almost $100 billion of damage. Property within the District could sustain extensive damage in a major earthquake, and a major earthquake could adversely affect the area's economic activity.

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, toxic dumping, acts of terrorism, etc., or 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). Lower assessed values could necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the District Bonds. Issuance of additional bonds in the future might also cause the tax rate to increase, although the District does not currently have any voter authorization to issue additional bonds.

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.

Appeals of Assessed Valuation. State law affords an appeal procedure to taxpayers who disagree with the assessed value of their taxable property. Taxpayers may request a reduction in assessment directly from the County Assessor (the "Assessor"), who may grant or refuse the request, and may appeal an assessment directly to the County Board of Equalization, which rules on appealed assessments whether or not settled by the Assessor. The Assessor is also authorized to reduce the assessed value of any taxable property upon a determination that the market value has declined below the then-current assessment, whether or not appealed by the taxpayer.

The District can make no predictions as to the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the District Bonds to increase accordingly, so that the fixed debt service on the District Bonds (and other outstanding bonds) may be paid. Any refund of paid taxes triggered by a successful assessment appeal will be debited by the County Tax Collector against all taxing agencies who received tax revenues, including the District.

DISTRICT FINANCIAL INFORMATION

District Budget

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

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

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

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

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

The District's Second Interim Report for Fiscal Year 2010-11, adopted March 9, 2011, was certified as "Positive."

The following table shows the District's audited actual General Fund for fiscal year 2009-10, and the District's adopted General Fund budget for 2010-11. For further information, see also APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010.

GENERAL FUND BUDGET
Fiscal Years 2008-09, 2009-10 and 2010-11
Pittsburg Unified School District

	Fiscal Year		
	2008-09 Actual	2009-10 Actual	2010-11 Second Interim
Revenues:			
Revenue limit sources	$ 52,431,986	$ 45,936,009	$ 1,060,829
Federal sources	7,113,1074	7,958,970	9,953,124
Other State sources	14,562,334	15,812,597	16,073,536
Other Local sources	3,575,090	5,349,215	4,772,411
Total revenues	77,682,517	75,183,791	81,879,900
Expenditures:			
Certificated salaries	34,460,868	32,727,632	35,080,823
Classified salaries	10,860,182	10,637,772	10,583,792
Employee benefits	15,589,512	15,522,756	15,433,308
Books & supplies	3,484,573	2,594,960	6,000,379
Contract services & operating expenditures	11,334,106	11,426,066	11,874,182
Capital Outlay	500,166	292,606	202,480
Other outgo	15,695	17,294	38,416
Transfers of indirect/direct support costs	(461,844)	(408,447)	(453,874)
Total expenditures	75,783,260	73,810,639	78,759,506
Excess of revenues over expenditures	1,899,257	1,373,152	3,120,394
Other financing sources (uses):			
Operating transfers in	1,008,559	2,000,000	0
Operating transfers out	306,289	(2,584,467)	(6,961,368)
Total other financing sources (uses)	$ 702,270	$ (584,467)	$(6,961,368)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	2,601,527	788,685	(3,840,974)
Beginning Fund Balance	9,237,889	11,839,416	12,628,101
Ending Fund Balance	$11,839,416	$12,628,101	$ 8,787,129

Source: Pittsburg Unified School District

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to section 41010 of the California Education Code, is to be followed by all California school districts.

The District's expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The District's accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the General Fund which accounts for all financial resources not requiring a special type of fund. The District's fiscal year begins on July 1 and ends on June 30.

Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2009, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the District, 2000 Railroad Avenue, Pittsburg, California, 94565, telephone number (925) 473-4000. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. The District's audited financial statements for the year ended June 30, 2010, are included in APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2010.

COMPARATIVE FINANCIAL DATA—GENERAL FUND
Fiscal Year Ending June 30, 2006, 2007, 2008, 2009 and 2010
Pittsburg Unified School District

BALANCE SHEET

	Fiscal Year				
	2005-06	2006-07	2007-08	2008-09	2009-10
ASSETS					
Cash and investments:	$2,525,579	$ 5,084,961	$ 2,140,325	$ 2,628,213	$10,314,175
Accounts Receivable:	6,207,955	6,520,845	8,464,957	12,394,444	12,901,963
Due from other funds	—	—	—	—	2,000,000
Total Assets	$8,733,534	$11,605,806	$11,826,362	$15,022,657	$25,216,138
LIABILITIES AND FUND BALANCES					
Accounts payable	$1,024,173	$3,367,769	$1,685,585	$1,062,670	$ 1,261,089
Deferred revenue	465,436	318,630	902,888	2,120,571	1,974,125
Due to other funds	123,478	—	—	—	9,000,000
Total liabilities	$1,613,387	$3,686,399	$2,588,473	$3,183,241	$12,588,037

Source: Pittsburg Unified School District audited financial statements.

INCOME AND EXPENSE STATEMENT
Fiscal Year Ending June 30, 2006, 2007, 2008, 2009 and 2010
Pittsburg Unified School District

	Fiscal Year				
	2005-06	2006-07	2007-08	2008-09	2009-10
REVENUES					
Revenue Limit Sources:				$52,431,986	$ 45,936,009
State Apportionments	$ 38,530,819	$ 42,291,180	$ 44,764,527		
Local Sources	9,794,281	8,745,146	8,051,385		
Federal Sources	6,452,303	5,187,899	4,444,975	7,113,107	7,958,970
Other State Sources	9,367,279	13,622,330	15,050,414	14,562,334	15,812,597
Other Local Sources	4,596,110	5,055,207	4,561,913	3,575,089	5,349,215
Total Revenues	68,740,792	74,901,762	76,873,214	77,682,517	75,183,791
EXPENDITURES					
Certificated salaries	32,564,017	33,636,239	35,326,852	34,460,869	32,727,632
Classified salaries	9,590,841	10,580,961	10,844,818	10,860,182	10,637,772
Employee benefits	14,258,862	1,518,772	15,325,326	15,589,512	15,522,756
Books and supplies	3,603,601	4,190,002	3,458,293	3,484,573	2,594,960
Contract services and operating expenses	8,131,419	9,939,964	10,324,837	11,334,107	11,426,066
Capital outlay	322,342	333,974	525,632	500,166	292,606
Other outgo	7,183	15,682	15,765	15,695	17,294
Allocation of Indirect Costs	—	—	—	(461,844)	(408,447)
Debt service	9,988	9,989	9,988	—	—
Total Expenditures	68,488,253	73,895,583	75,871,511	75,783,260	73,810,639
Excess (deficiency) of revenues over (under) expenditures	252,539	1,006,179	1,001,703	1,899,257	1,373,152
Other financing sources					
Operating transfers in	262,458	293,817	316,779	1,008,559	2,000,000
Operating transfers out	(581,782)	(500,736)	—	306,289	(2,584,467)
Total financing sources (uses)	(319,324)	(206,919)	316,779	702,270	(584,467)
Net change in fund balances	(66,785)	799,260	1,318,482	2,601,527	788,685
Fund Balance, July 1	$7,186,932	$7,120,147	$7,919,407	$ 9,237,889	$11,839,416
Fund Balance, June 30	$7,120,147	$7,919,407	$9,237,889	$11,839,416	$12,628,101

Source: Pittsburg Unified School District audited financial statements.

District Revenues

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

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

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

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

The revenue limit sources comprised approximately 61.1% of general fund revenues in fiscal year 2009-10 and are estimated to equal approximately 62.4% of such revenues in fiscal year 2010-11.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools, Education for Economic Security, and the free and reduced lunch program. The federal revenues, most of which are restricted, comprised approximately 10.6% of general fund revenues in fiscal year 2009-10 and are estimated to equal approximately 12.2% of such revenues in fiscal year 2010-11.

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

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, School Improvement Program, Economic Impact Aid, Class Size Reduction Program, home-to-school transportation and instructional materials. Other State revenues approximately 21.2% of general fund revenues in fiscal year 2009-10 and are estimated to equal approximately 19.6% of such revenues in fiscal year 2010-11.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings, transportation fees, leases and rentals, special education support and other local sources. Other local revenues approximately 7.1% of general fund revenues in fiscal year 2009-10 and are estimated to equal approximately 58% of such revenues in fiscal year 2010-11.

Parcel Tax

On November 4, 2008, 72% of District voters authorized a qualified special tax. Starting in fiscal year 2009-10, the District began collecting $65 per parcel annually to be used for various educational program enhancements throughout the District. The authorization expires on June 30, 2016. The District expects to collect parcel tax revenues of $900,000 in 2010-11.

District Expenditures

The largest part of each school district’s general fund budget is used to pay salaries and benefits of certificated (credentialed teaching) and classified (non-instructional) employees. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits.

In its 2010-11 budget, the District estimates that it will expend $61,097,923 in salaries and benefits, or approximately 77.6% of its general fund expenditures. This amount represents a increase of approximately 2.02% from the $59,888,160 the District expended in 2009-10.

Labor Relations. Currently the District employs 525.40 full-time equivalent (FTE) certificated employees, 345.57 FTE classified employees, 53.81 management employees and 14 confidential employees. There are two formal bargain units operating in the District which are described in the table below. Both contracts expired on June 30, 2011, but negotiations are underway for renewals.

LABOR ORGANIZATIONS
Pittsburg Unified School District

Labor Organization	Contract Expiration
Pittsburg Teachers Association	Expired
California Schools Employees Association	Expired

Source: Pittsburg Unified School District

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

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

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009-10 was 9.709% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2009 and 2010 were $1,140,808, $1,124,426 and $1,196,747, respectively, and equal 100% of the required contributions for each year.

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

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2009-10 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2008, 2009 and 2010 were $3,013,647, $2,878,698 and $2,818,049, respectively, and equal 100% of the required contributions for each year.

On-Behalf Payments. The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education These payments consist of state general fund contributions of approximately $1,457,529 to CalSTRS (4.267% of salaries subject to CalSTRS in 2009-10).

Other Post-Employment Benefits. In addition to the pension benefits described above, the District provides postretirement healthcare benefits to District employees who retire from the District on or after attaining the age 55 until age 65, provided they have met certain service requirements. For employees retiring on June 1, 1978 and thereafter, the District contributes toward the health benefit program, capped in the same dollar amount and with the same coverage limitations for retirees as it does for active employees. At June 30, 2010, 132 District retirees and beneficiaries are receiving the post-retirement healthcare benefits.

See also APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010, Note 13.

Summary of District Revenues and Expenditures

See "SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS—District Budget Process and County Review" for a general description of the annual budget process for California school districts. The District's audited financial statements for the year ending June 30, 2010, are reproduced in Appendix B. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District Board of Trustees by September 15, and the audit report must be filed with the County Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 3% of its total general fund expenditures, based on total student attendance below 30,000. For Fiscal Year 2010-11, the District has budgeted an unrestricted general fund reserve of 7.17%, or approximately $5.6 million, consisting of $2.4 million designated for economic uncertainties. Substantially all funds of the District are required by law to be deposited with and invested by the Treasurer-Tax Collector on behalf of the District, pursuant to law and the investment policy of the County. See "CONTRA COSTA COUNTY INVESTMENT POOL."

Long-Term Liabilities

General Obligation Bonds. The following table reflects the District's outstanding general obligation bonds as of June 30, 2010:

PITTSBURG UNIFIED SCHOOL DISTRICT
Outstanding General Obligation Bonds
As of June 30, 2010

Date Issued	Series	Amount of Original Issue	Outstanding June 30, 2010
September 18, 2003	2003 General Obligation Refunding Bonds	$ 8,825,000	$ 6,660,000
March 23, 2005	Election of 2004, Series A	17,100,000	15,800,000
September 15, 2005	2005 General Obligation Refunding Bonds	8,565,000	7,615,000
June 22, 2006	Election of 2004, Series B	13,350,000	12,650,000
October 10, 2007	Election of 2004, Series C	10,050,000	9,760,000
October 10, 2007	Election of 2006, Series A	15,000,000	12,000,000
May 12, 2009	Election of 2006, Series B	35,000,000	35,000,000
March 25, 2010	2010 General Obligation Refunding Bonds	6,810,000	6,810,000
TOTALS		$117,890,000	$106,740,000

The annual requirements to amortize all general obligation bonds payable, outstanding following the issuance of the District Bonds, are as follows:

PITTSBURG UNIFIED SCHOOL DISTRICT
General Obligation Bonds – Debt Service

Period	Election of 1995			Election of 2004			Election of 2006			Election of 2010	Total
Ending	Refund 2003	Refund 2005	Refund 2010	Series A (2005)	Series B (2006)	Series C (2007)	Series A (2007)	Series B (2009)	Series C (2011)	Series A (2011)	Debt Service
8/1/2011	$ 736,922.50	$ 717,300.00	$ 696,550.00	$ 961,843.76	$ 729,221.26	$ 704,233.76	$ 874,298.76	$ 2,265,487.50	—	—	$ 7,685,857.54
8/1/2012	738,735.00	720,987.50	693,050.00	985,468.76	750,221.26	684,633.76	874,448.76	2,266,837.50	$ 200,000.00	$ 2,909,027.78	10,823,410.32
8/1/2013	739,797.50	718,925.00	695,150.00	1,007,318.76	779,421.26	687,733.76	868,298.76	2,270,087.50	275,000.00	2,475,000.00	10,516,732.54
8/1/2014	740,110.00	717,945.00	696,800.00	1,044,368.76	798,421.26	685,196.26	876,723.76	2,261,750.00	325,000.00	2,425,000.00	10,571,315.04
8/1/2015	738,855.00	725,970.00	693,000.00	1,079,038.76	825,921.26	687,233.76	869,086.26	2,272,150.00	420,000.00	2,330,000.00	10,641,255.04
8/1/2016	741,255.00	722,482.50	691,550.00	1,116,413.76	846,421.26	688,633.76	856,023.76	2,286,350.00	520,000.00	2,230,000.00	10,699,130.04
8/1/2017	747,655.00	722,795.00	694,575.00	1,150,938.76	870,171.26	690,233.76	858,823.76	2,279,150.00	635,000.00	2,115,000.00	10,764,342.54
8/1/2018	747,235.00	725,995.00	694,375.00	1,187,738.76	895,571.26	686,233.76	850,823.76	2,291,350.00	740,000.00	2,010,000.00	10,829,322.54
8/1/2019	740,145.00	728,195.00	693,375.00	1,222,138.76	983,865.00	681,833.76	817,423.76	2,321,100.00	860,000.00	1,890,000.00	10,938,076.28
8/1/2020	746,550.00	723,800.00	691,125.00	1,254,138.76	1,012,827.50	682,033.76	819,623.76	2,322,850.00	980,000.00	1,945,000.00	11,177,948.78
8/1/2021	365,750.00	728,431.26	692,625.00	1,292,218.76	1,044,027.50	686,248.76	820,558.76	2,317,850.00	1,110,000.00	1,990,000.00	11,047,710.04
8/1/2022	—	731,825.00	692,625.00	1,326,943.76	1,077,890.00	684,238.76	820,188.76	2,321,350.00	1,240,000.00	2,060,000.00	10,955,061.28
8/1/2023	—	358,475.00	691,125.00	1,368,243.76	1,104,140.00	681,388.76	818,726.26	2,322,850.00	1,375,000.00	2,125,000.00	10,844,948.78
8/1/2024	—	354,450.00	—	1,406,103.76	1,132,390.00	682,683.76	816,151.26	2,323,425.00	1,520,000.00	2,180,000.00	10,415,203.78
8/1/2025	—	—	—	1,444,728.76	1,167,190.00	682,777.50	817,307.50	2,321,456.25	1,670,000.00	2,255,000.00	10,358,460.01
8/1/2026	—	—	—	1,489,635.00	1,198,910.00	681,996.26	817,370.00	2,321,856.25	1,820,000.00	2,305,000.00	10,634,767.51
8/1/2027	—	—	—	1,535,075.00	1,237,550.00	684,721.26	815,595.00	2,323,156.25	1,980,000.00	2,370,000.00	10,946,097.51
8/1/2028	—	—	—	1,574,775.00	1,264,000.00	686,321.26	817,695.00	2,320,081.25	2,150,000.00	2,450,000.00	11,262,872.51
8/1/2029	—	—	—	1,624,975.00	1,304,500.00	681,796.26	818,445.00	2,319,256.25	2,320,000.00	2,530,000.00	11,598,972.51
8/1/2030	—	—	—	—	1,385,950.00	685,665.00	816,995.00	2,325,406.25	2,495,000.00	2,605,000.00	10,314,016.25
8/1/2031	—	—	—	—	—	707,700.00	828,625.00	2,312,981.25	2,685,000.00	2,690,000.00	9,224,306.25
8/1/2032	—	—	—	—	—	707,062.50	832,762.50	2,307,806.25	2,880,000.00	2,770,000.00	9,497,631.25
8/1/2033	—	—	—	—	—	—	—	3,139,331.25	3,085,000.00	2,840,000.00	9,064,331.25
8/1/2034	—	—	—	—	—	—	—	3,141,356.25	3,290,000.00	2,935,000.00	9,366,356.25
8/1/2035	—	—	—	—	—	—	—	3,141,781.25	3,510,000.00	3,015,000.00	9,666,781.25
8/1/2036	—	—	—	—	—	—	—	3,142,343.75	3,735,000.00	3,115,000.00	9,992,343.75
8/1/2037	—	—	—	—	—	—	—	3,140,312.50	3,975,000.00	3,200,000.00	10,315,312.50
8/1/2038	—	—	—	—	—	—	—	3,140,406.25	4,220,000.00	3,205,000.00	10,565,406.25
8/1/2039	—	—	—	—	—	—	—	3,137,062.50	4,480,000.00	3,195,000.00	10,812,062.50
8/1/2040	—	—	—	—	—	—	—	—	7,885,000.00	3,215,000.00	11,100,000.00
8/1/2041	—	—	—	—	—	—	—	—	8,160,000.00	3,215,000.00	11,375,000.00
8/1/2042	—	—	—	—	—	—	—	—	8,450,000.00	3,195,000.00	11,645,000.00
8/1/2043	—	—	—	—	—	—	—	—	8,745,000.00	3,214,150.00	11,959,150.00
8/1/2044	—	—	—	—	—	—	—	—	9,060,000.00	3,213,075.00	12,273,075.00
8/1/2045	—	—	—	—	—	—	—	—	9,380,000.00	3,215,800.00	12,595,800.00
8/1/2046	—	—	—	—	—	—	—	—	9,720,000.00	3,214,300.00	12,934,300.00
Total	$7,783,010.00	$9,397,576.26	$9,015,925.00	$24,072,106.40	$20,408,610.08	$15,130,600.18	$18,405,995.14	$72,657,181.25	$115,895,000.00	$92,646,352.78	$385,412,357.09

All debt service payments on the bonds, including refunding bonds, are payable from an *ad valorem* tax levied and collected by the County on assessed property in the District.

Certificates of Participation—Fixed Rate. The following table sets forth scheduled lease payments for the District's $11,720,000 Certificates of Participation, 1998 Refinancing Project, $3,000,000 Certificates of Participation, 2001 Capital Improvements Projects, $33,895,000, Certificates of Participation (2009 Capital Projects) and $20,510,000 Certificates of Participation (2010 Financing Project). Following the issuance of the Bonds, the 2009 Certificates will be defeased in their entirety.

PITTSBURG UNIFIED SCHOOL DISTRICT
Certificates of Participation—Fixed Rate
Aggregate Annual Lease Payment Schedule

Fiscal Year Ending June 30	1998 COPS	2001 COPs	2009 COPs (1)	2010 COPs	Total
2011	$ 774,327.50	$ 255,428.13	$ 1,940,031.26	$ 776,616.58	$ 3,746,403.47
2012	772,415.00	257,652.50	1,940,031.26	1,253,843.76	4,223,942.52
2013	769,462.50	259,355.00	1,940,031.26	1,819,093.76	4,787,942.52
2014	770,332.50	255,517.50	1,940,031.26	1,842,093.76	4,807,975.02
2015	765,051.88	256,150.00	2,945,031.26	1,879,093.76	5,845,326.90
2016	763,771.26	256,160.00	2,947,343.76	2,138,093.76	6,105,368.78
2017	766,181.26	255,500.00	2,944,498.76	1,495,093.76	5,461,273.78
2018	767,218.76	—	2,947,030.00	1,005,693.76	4,719,942.52
2019	767,131.26	—	2,944,536.26	1,044,693.76	4,756,361.28
2020	765,546.88	—	2,946,767.50	1,083,318.76	4,795,633.14
2021	767,334.38	—	2,947,961.26	1,119,256.26	4,834,551.90
2022	762,850.01	—	2,944,186.26	1,152,256.26	4,859,292.53
2023	762,093.76	—	2,945,280.00	1,192,662.50	4,900,036.26
2024	759,950.01	—	2,948,280.00	1,234,925.00	4,943,155.01
2025	741,765.63	—	2,945,880.00	1,273,675.00	4,961,320.63
2026	—	—	2,943,080.00	1,318,750.00	4,261,830.00
2027	—	—	2,944,580.00	1,361,750.00	4,306,330.00
2028	—	—	2,944,780.00	1,410,750.00	4,355,530.00
2029	—	—	2,943,380.00	1,460,250.00	4,403,630.00
2030	—	—	2,945,080.00	1,505,000.00	4,450,080.00
2031	—	—	2,944,920.00	1,515,000.00	4,459,920.00
2032	—	—	2,946,390.00	1,566,750.00	4,513,140.00
2033	—	—	2,943,870.00	1,623,000.00	4,566,870.00
2034	—	—	2,947,050.00	1,673,250.00	4,620,300.00
2035	—	—	—	1,732,500.00	1,732,500.00
Total	$11,475,432.59	$1,795,763.13	$66,670,050.10	$35,477,410.44	$115,418,656.26

(1) Refunded from a portion of the 2006 District Bonds.

Certificates of Participation—Variable Rate. In July 30, 1997, Alameda-Contra Costa Schools Financing Authority caused the execution and delivery of Series D Certificates of Participation in the amount of $1,020,000 in the name of District. Interest rates are set weekly and paid quarterly. The annual requirements to amortize the variable rate certificates are as follows:

CERTIFICATES OF PARTICIPATION
Certificates of Participation—Variable Rate
(Annual Principal Obligations)

Payment Due July 1,	Principal Amount
2011	$ 85,000
2012	90,000
Total	$175,000

The District redeemed all remaining Series D Certificates in January 2010, using available cash reserves.

Capitalized Lease Obligations

The District leases various buildings and equipment under agreements that have been capitalized and recorded as long term liabilities in the financial statements. The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

Direct and Overlapping Debt. Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. 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 June 1, 2011, and whose territory overlaps the District in whole or in part. The second column 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 the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Pittsburg Unified School District

2010-11 Assessed Valuation:	$4,597,187,636
Redevelopment Incremental Valuation:	3,004,147,970
Adjusted Assessed Valuation:	$1,593,039,666

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 3/1/11
Bay Area Rapid Transit District	0.366%	$ 1,514,746
Contra Costa Community College District	1.276	3,025,332
Pittsburg Unified School District	**100.**	**104,255,000** (1)
City of Pittsburg 1915 Act Bonds	22.768-100.	3,301,128
East Bay Regional Park District	0.567	958,372
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$113,054,578
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Contra Costa County General Fund Obligations	1.271%	$ 4,269,153
Contra Costa County Pension Obligations	1.271	5,532,790
Contra Costa Community College District Certificates of Participation	1.276	12,632
Contra Costa Fire Protection District Pension Obligations	2.835	3,295,404
Pittsburg Unified School District Certificates of Participation	**100.**	**63,680,000**
City of Pittsburg Pension Obligations	82.448	32,176,203
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$108,966,182
Less: Contra Costa County General Fund Obligations supported by revenue funds		1,602,252
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$107,363,930
GROSS COMBINED TOTAL DEBT		$222,020,760 (2)
NET COMBINED TOTAL DEBT		$220,418,508

(1) Excludes issues to be sold.
(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 ($104,255,000) 2.27%
Total Direct and Overlapping Tax and Assessment Debt 2.46%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($167,935,000) 10.54%
Gross Combined Total Debt 13.94%
Net Combined Total Debt...13.84%

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

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Article XIIIA of the California Constitution

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

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

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

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

Article XIIIB of the California Constitution

In 1979, an initiative added Article XIIIB to the State Constitution ("Article XIIIB"). Under Article XIIIB, the State and each local governmental entity has an annual "appropriations limit" and is not permitted to spend certain moneys that are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the appropriations limit. Article XIIIB does not affect the appropriations of moneys that 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 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. However, in the event that a school district's revenues exceed its spending limit, the district may, in any fiscal year, increase its appropriations limit to equal its spending by borrowing appropriations limit from the State, provided the State has sufficient excess appropriations limit in such year.

Article XIIIC and Article XIIID of the California Constitution

The so-called "Right to Vote on Taxes Act" ("Proposition 218") was approved by the voters in 1996. Proposition 218 added Articles XIIIC and XIIID to the State Constitution, 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. 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. Article XIIIC also 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 XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a mandatory, statutory duty on a county treasurer-tax collector to levy a property tax sufficient to pay debt service on general obligation bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for the payment of general obligation bonds or to otherwise interfere with performance of the mandatory, statutory duty of the District and the County with respect to such taxes which are pledged as security for payment of the general obligation bonds. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. Developer fees imposed by the District are neither pledged nor available to pay the District Bonds.

Proposition 62

In 1986, California voters adopted Proposition 62, a statutory initiative which amended the Government Code by the addition of sections 53720-53730. Proposition 62 requires that (i) any local tax for general governmental purposes (a "general tax") must be approved by a majority vote of the electorate; (ii) any local tax for specific purposes (a "special tax") must be approved by a two-thirds vote of the electorate; (iii) any general tax must be proposed for a vote by two-thirds of the legislative body; and (iv) proceeds of any tax imposed in violation of the vote requirements must be deducted from the local agency's property tax allocation. Provisions applying Proposition 62 retroactively from its effective date to 1985 are unlikely to be of any continuing importance; certain other restrictions were already contained in the Constitution.

Most of the provisions of Proposition 62 were affirmed by the 1995 California Supreme Court decision in *Santa Clara County Local Transportation Authority v. Guardino*, which invalidated a special sales tax for transportation purposes because fewer than two-thirds of the voters voting on the measure had approved the tax. Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62, which was passed in November 1986. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard*

Jarvis Taxpayers Association v. City of La Habra, et al. ("*La Habra*"). In this case, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Although by its terms Proposition 62 applies to school districts, the District has not experienced any substantive adverse financial impact as a result of the passage of this initiative or the *Santa Clara* or *La Habra* decisions and believes that any impact experienced by the District will not adversely effect the ability of the District to make payments of principal of and interest on the District Bonds.

Proposition 98

In 1988, California 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, primarily by guaranteeing State funding for K-12 school districts and community college districts (collectively, "K-14 districts").

Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 districts are guaranteed the greater of (a) in general, a fixed percent of the State's General Fund (the "State General Fund") revenues ("Test 1"), (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost-of-living (measured as in Article XIIIB by reference to State per capita personal income) and enrollment ("Test 2"), or (c) a third test, which would replace Test 2 in any year when the percentage growth in per capita State General Fund revenues from the prior year plus one-half of one percent is less than the percentage growth in State per capita personal income ("Test 3"). Under Test 3, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 would become a "credit" to schools which would be the basis of payments in future years when per capita State General Fund revenue growth exceeds per capita personal income growth. Legislation adopted prior to the end of the 1988-89 fiscal year, implementing Proposition 98, determined the K-14 districts' funding guarantee under Test 1 to be 40.3% of the State General Fund tax revenues, based on 1986-87 appropriations. However, that percentage has been adjusted to 35% to account for a subsequent redirection of local property taxes whereby a greater proportion of education funding now comes from local property taxes.

Proposition 98 permits the State Legislature by a two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 districts' minimum funding formula for a one-year period. In the fall of 1989, the Legislature and the Governor utilized this provision to avoid having 40.3% of revenues generated by a special supplemental sales tax enacted for earthquake relief go to K-14 districts. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the Article XIIIB limit to K-14 districts.

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. One major reason is that Proposition 98 minimum funding levels under Test 1 and Test 2 are dependent on State General Fund revenues. In past fiscal years, the State made actual allocations to K-14 districts based on an assumption of State General Fund revenues at a level above that which was ultimately realized.

In such years, the State has considered the amounts appropriated above the minimum as a loan to K-14 districts, and has deducted the value of these loans from future years' estimated Proposition 98 minimum funding levels. The State determined that there were loans to K-14 districts of $1.3 billion during fiscal year 1990-91, $1.1 billion during fiscal year 1991-92, $1.3 billion during fiscal year 1992-93 and $787 million during fiscal year 1993-94. These loans have been combined with the K-14 1992-93 loans into one loan totaling $1.760 billion. The State proposed that repayment of this loan would be from future years' Proposition 98 entitlements, and would be conditioned on maintaining current funding levels per pupil for K-12 schools.

In 1992, a lawsuit, *California Teachers' Association et al. v. Gould*, was filed, which challenged the validity of the off-budget loans. As part of the negotiations leading to the 1995-96 Budget Act, an agreement was reached to settle this case. The agreement provides that both the State and K-14 districts share in the repayment of prior years' emergency loans to schools. Of the total $1.76 billion in loans, the State will repay $935 million, while K-14 districts will repay $825 million. The State's share of the repayment will be reflected as expenditures above the current Proposition 98 base calculation. The K-14 districts' share of the repayment will count as appropriations that count toward satisfying the Proposition 98 guarantee, and thus are treated as from "below" the current base. Repayments are spread over the eight-year period of 1994-95 through 2001-02 to mitigate any adverse fiscal impact. In April 1996, a court settlement was reached and $360 million in appropriations from the 1995-96 fiscal year was disbursed to districts in August 1996.

Substantially increased State General Fund revenues, above initial budget projections, in the fiscal years 1994-95 and thereafter have resulted or will result in retroactive increases in Proposition 98 appropriations from subsequent fiscal years' budgets. Because of the State's increasing revenues, per-pupil funding at the K-12 level has increased by about 42% from the level in place from 1991-92 through 1993-94. A significant amount of the "extra" Proposition 98 moneys in the last few years has been allocated to special programs, most particularly an initiative to allow each classroom from grades K-3 to have no more than 20 pupils by the end of the 1997-98 school year. There are also new initiatives to improve reading skills and to upgrade technology in high schools, as well as numerous programs approved by the State Budget Act. The economy of the State has slowed and the State is experiencing severe budget shortfalls. For a discussion of State funding of the District, see "GENERAL SCHOOL DISTRICT INFORMATION—State Funding of School Districts."

Proposition 111

On June 5, 1990, the voters of California approved the "Traffic Congestion Relief and Spending Limitation Act of 1990" ("Proposition 111"), which modified the State Constitution to alter the Article XIIIB spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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

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

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

c. *Exclusions from Spending Limit*. Two new exceptions have been added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, excluded are all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, excluded are any increases in gasoline taxes above the then current nine cents per gallon level, sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990.

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

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

Proposition 218

On November 5, 1996, the voters of the State 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. 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.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a duty on the County to levy a property tax sufficient to pay debt service on the districts' outstanding general obligation bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the District's outstanding general obligation bonds or to otherwise interfere with performance of the duty of the District and the County with respect to such taxes which are pledged as security for payment of the District's outstanding general obligation bonds. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

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

Proposition 39

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

Section 1(b)(3) of Article XIIIA has been added to except from the one percent ad valorem tax limitation under section 1(a) of Article XIIIA of the Constitution levies to pay bonds approved by 55 percent of the voters, subject to the restrictions explained above.

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

Proposition 1A

Proposition 1A (SCA 4), proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, and the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate below 0.65 percent the State must provide local governments with equal replacement revenues. Further, Proposition 1A required the State, beginning June 1, 2009, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Future Initiatives and Legislation

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 98, 111, 218, 39 and 1A were each adopted as measures that qualified for the ballot pursuant to California's initiative process and various State measures have been adopted by the State Legislature. From time to time, other initiative measures or legislation could be adopted, further affecting the District revenues or the District's ability to expend revenues.

GENERAL SCHOOL DISTRICT INFORMATION

The information in this section concerning funding procedures of K-12 school districts in the State is provided as supplementary information only. For specific financial information on the District, see "DISTRICT FINANCIAL INFORMATION."

State Funding of School Districts

The State Constitution requires that from all State revenues there will first be set apart the moneys to be applied by the State for support of the public school system and public institutions of higher education. As discussed below, school districts in the State receive a significant portion of their funding from State appropriations.

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit (as described below) per unit of average daily attendance ("ADA").

Generally, such apportionments will amount to the difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all of the same type of California school districts (i.e., unified, high school or elementary). State law also provides for State support of specific school-related programs, including summer school, adult education, deferred maintenance of facilities, pupil transportation, portable classrooms and other capital outlays and various categorical aids.

The State revenue limit is calculated three times a year for each school district. The first calculation is performed for the February 20th First Principal Apportionment, the second calculation for the June 25th Second Principal Apportionment, and the final calculation for the end of the year Annual Principal Apportionment. Calculations are reviewed by the County Office of Education and submitted to the State Department of Education to review the calculations for accuracy, calculate the amount of State aid owed to such school district and notify the State Controller of the amount, who then distributes the State aid.

The calculation of the amount of State aid a school district is entitled to receive each year is a five step process. First, the prior year State revenue limit per ADA is established, with recalculations as are necessary for adjustments for equalization or other factors. Second, the adjusted prior year State revenue limit per ADA is inflated according to formulas based on the implicit price deflator for government goods and services and the statewide average State revenue limit per ADA for the school districts. Third, the current year's State revenue limit per ADA for each school district is multiplied by such school district's ADA for either the current or prior year. Fourth, revenue limit add-ons are calculated for each school district if such school district qualifies for the add-ons. Add-ons include the necessary small school district adjustments, meals for needy pupils and small school district transportation, and are added to the State revenue limit for each qualifying school district. Finally, local property tax revenues are deducted from the State revenue limit to arrive at the amount of state aid based on the State revenue limit each school district is entitled to for the current year.

Basic Aid Districts

In the event that a school district's property tax revenue exceeds its calculated revenue limit entitlement, that school district retains all of its property tax revenue, and State apportionments to that district are limited to the minimum "basic aid" amount of $120 per A.D.A. set forth in the Constitution. Currently the State allocates basic aid funding to categorical entitlements that would have been received in any event. Such districts are commonly known as "Basic Aid Districts." The District is not a Basic Aid District.

State Funding of Schools Without a State Budget

On May 29, 2002, the Court of Appeal of the State for the Second Appellate District in *White v. Davis et al.* (combined with *Howard Jarvis Taxpayers Association et al. v. Westly* in appeal) held, among other things, that absent adoption of a budget bill or an emergency appropriation by the Legislature, the State Controller may disburse State funds authorized by (a) a continuing appropriation enacted by the Legislature, (b) a self-executing provision of the State Constitution, including payment of certain funds for public schools under Article XVI, section 8.5 of the State Constitution, and (c) mandate of federal law, such as prompt payment of minimum wage and overtime compensation mandated by the federal Fair Labor Standards Act and benefits under federal food stamp, foster care and adoption, child support and child welfare programs. The Court of Appeal specifically concluded that Article XVI, section 8.0 of the State Constitution does not constitute a self-executing authorization to disburse revenue limit apportionment to school districts; legislative appropriation is required for revenue limit disbursement. On May 1, 2003, the California Supreme Court in its decision in *White v. Davis* et al granted review to two other matters and let these particular conclusions of the Court of Appeal stand without ruling on them.

During the 2003-04 State budget impasse, the State Controller announced that only "payments of prior year obligations, constitutional authorizations, federal mandates and continuous legislative appropriations would be made." The State Controller concluded that revenue limit apportionments to school districts, under provisions of the California Education Code implementing Article XVI, section 8 of the State Constitution, are authorized as continuous legislative appropriations, so disbursed these funds without a budget bill or emergency appropriation enacted. The State Controller did not disburse certain categorical and other funds to school districts until the 2003-04 Budget Act was enacted.

County Office of Education

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

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

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

School District Budget Process

School districts are required by provisions of the California Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. School District's annual general fund expenditures are characterized in large part by multi-year expenditure commitments such as union contracts. Year-to-year fluctuations in State and local funding of school district general funds could result in revenue decreases which, if large enough, may not easily be offset by an equal reduction in expenditures until at least the following fiscal year. School districts are required by State law to maintain general fund reserves which can be drawn upon in the event of a resulting excess of expenditures over revenues for a given fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

School districts must adopt a budget no later than June 30 of each year. The budget must be submitted to the County Superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the County Superintendent, or as needed. For both dual and single budgets submitted on July 1, the County Superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations and is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the County Superintendent will approve or disapprove the adopted budget for each school district. 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.

Subsequent to approval, the County Superintendent throughout the fiscal year is authorized to monitor each school district under his or her jurisdiction pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If a County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and the County Superintendent may 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 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 any collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

At minimum, school districts are required by statute to file with their County Superintendent and the State Department of Education a First Interim Financial Report by December 15th covering financial operations from July 1 through October 31st, and a Second Interim Financial Report by March 15th covering financial operations from November 1 through January 31st. Section 42131 of the California Education Code requires that each interim report be certified by the school board as either (a) "positive," certifying that the district, "based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years," (b) "qualified," certifying that the district, "based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years," or (c) "negative," certifying that the district, "based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year." A certification by a school board may be revised by the County Superintendent. If either the First or Second Interim Report is not "positive," the County Superintendent may require the district to provide a Third Interim Financial Report by June 1st covering financial operations from February 1st through April 30th. If not required, a Third Interim Financial Report is not prepared. Each interim report shows fiscal year to date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. After the close of the fiscal year, an unaudited financial report for the fiscal year is prepared and filed without certification with the County Superintendent and the State Department of Education.

Temporary Inter-fund Borrowing

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

Accounting Practices

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

State Funding of School Construction

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

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

State Assistance

School districts' principal funding formulas and revenue sources are derived from the budget of the State. The following discussion of the California State budget has been obtained from publicly available information which the District believes to be reliable; however neither District nor the Underwriter guaranty the accuracy or completeness of this information and have not independently verified such information. Additional information regarding State budgets is available at various State-maintained websites, including www.dof.ca.gov. These websites are not incorporated herein by reference and neither the District nor the Underwriter make any representation as to the accuracy of the information provided therein.

Final 2010-11 Budget. The 2010 Budget Act was signed by Governor Schwarzenegger on October 8, 2010 and closed an estimated budget gap of $19.3 billion by a combination of expenditure reductions, federal funds and other solutions. The 2010 Budget Act holds General Fund spending essentially flat compared to the prior year ($86.6 billion in fiscal year 2010-11 compared to $86.3 billion in fiscal year 2009-10). In order to create a prudent reserve for economic uncertainties, the Governor exercised his line-item veto authority to reduce General Fund spending by an additional $963 million, raising the reserve level from $375 million to $1.3 billion. The 2010 Budget Act also makes a number of reductions in health and human services programs, but does not eliminate CalWORKs, community mental health programs, Adult Day Health care, or reductions proposed to the In Home Supportive Services program.

The 2010 Budget Act includes: (i) savings of over $1.1 billion for corrections, from reduced inmate medical care costs ($820 million), cuts from inmate and parole population savings ($200 million), and delayed local assistance payments ($50 million); (ii) reduced spending for state employees by $1.5 billion, including $547.7 million in savings through a five percent reduction to departmental personnel costs and by pre-funding other post employment benefit costs, as well as $2.5 billion in revenue solutions, comprising $1.4 billion from the Legislative Analyst's revenue forecast, which was $1.4 billion higher than the Governor's May Revision; (iii) the extension of the Net Operating Loss corporate tax benefit suspension for an additional two years, which results in increased tax revenue of about $1.2 billion in fiscal year 2010-11 and revisions to recent corporate tax law changes related to penalties assessed when a corporation underpays their tax liability by more than $1 million; and (iv) various changes to State pension laws for new State employees including those in bargaining units that do not currently have a Memorandum of Understanding with the State, as well as employees of the California State University, the judicial branch of government, and the Legislature.

As it relates to K-14 Education, the 2010 Budget Act includes the following:

- Department of Education — A decrease of $2.6 million and 22.0 positions associated with administering categorical programs. School districts have been granted flexibility to shift funds among and away from approximately 40 categorical programs, resulting in less workload for departmental administration and oversight.

- Proposition 98 — A suspension of the Proposition 98 Guarantee by $4.1 billion. Even with the suspension, the Proposition 98 Guarantee funding level for K-14 education remains the same as fiscal year 2009-10 in an effort to protect education; and with assumed federal funding increases, it improves year over year. The 2010 Budget Act reduces the Proposition 98 Guarantee from the estimated minimum funding level of $53.8 billion down to a level of $49.5 billion. In addition, a repayment of $300 million in settle-up payments related to fiscal year 2009-10 is provided to pay for mandated costs. The actions necessary to reduce the level of appropriations in fiscal year 2010-11 to match the desired appropriations level include (i) a decrease of $1.7 billion, in Proposition 98 General Fund in fiscal year 2010-11 to reflect a deferral of revenue limit apportionments for K-12 school districts, county offices of education and charter schools, to be repaid in fiscal year 2011-12; (ii) a decrease of $700 million in unallocated ending balances as of June 30, 2010 from a variety of K-12 categorical programs. Of these unallocated funds, approximately $360 million are as a result of program savings; the balance of $340 million is attributable to Special Education, all of which will be repaid with one-time fiscal year 2009-10 savings from the Class Size Reduction program.

- Class Size Reduction Program Savings — A reduction of $550 million to reflect projected savings in the K-3 Class Size Reduction program in fiscal year 2010-11. A reduction of $340 million to reflect projected savings in the K-3 Class Size Reduction program in fiscal year 2009-10. Since the penalties for exceeding class size limits were significantly reduced in fiscal year 2009-10, program savings due to schools increasing class sizes are anticipated.

A complete copy of the 2010 Budget Act is posted by the California Department of Finance website at www.ebudget.ca.gov. This website is not incorporated herein by reference and neither the District nor the Underwriter make any representation as to the accuracy of the information provided therein.

Legislative Analyst's Office Overview of 2010 Budget Act. The Legislative Analyst's Office ("LAO") Overview of the 2010 Budget Act (the "2010 LAO Overview") released October 8, 2010, acknowledges the 2010 Budget Act's attempt to address one of the most vexing State budget shortfalls in California's history, the product of a continuing structural imbalance between State revenues and expenditures and a slow recovery from a severe recession that began in 2007 and ended in 2009. The 2010 LAO Overview notes that in May 2010, the Administration estimated that there would be a gap of $17.9 billion between General Fund resources and expenditures in fiscal year 2010-11 under then-existing laws and policies. To address this projected gap, the Legislature opted for a package of budget actions (prior to vetoes) including $6.8 billion of expenditure-related solutions, $5.4 billion of new federal funding (most of it not yet approved by Congress), $3.3 billion of revenue actions, $2.7 billion of largely one-time loans, transfers, and funding shifts. The LAO also notes that the 2010 Budget Act does not include the Governor's proposed elimination of the CalWORKs and subsidized childcare, and it does not include reductions in social services grant levels. The LAO believes that if all of the assumptions are met in the 2010 Budget Act and accompanying legislation, the State would be left with a $364 million General Fund reserve at the end of fiscal year 2010-11, however, the LAO also notes that two-thirds of the 2010 Budget Act solutions are one-time or temporary in nature, such that California will continue to face sizable annual budget problems in fiscal year 2011-12 and beyond.

As the 2010 Budget Act relates to K-14 education, the 2010 LAO Overview states that ongoing Proposition 98 funding is slightly higher in fiscal year 2010-11 ($49.7 billion) than the revised fiscal year 2009-10 level ($49.5 billion) and that to fund at this level the State Legislature suspended the Proposition 98 minimum guarantee for fiscal year 2010-11. The LAO reports that the State is ending fiscal year 2009-10 with a "settle-up obligation" to the effect that the State appropriated less in fiscal year 2009-10 than the revised estimate of the minimum guarantee for that year. The LAO estimates that the fiscal year 2009-10 settle-up obligation is $1.8 billion.

In addition, the 2010 Budget Act spends $242 million in fiscal year 2010-11 using one-time Proposition 98 funds available from prior years and increases Proposition 98 funding for community colleges, and provides $300 million as a payment to begin to meet the State's outstanding fiscal year 2009-10 Proposition 98 settle-up obligation. On top of State funding, related budget bills provide K-12 education with $1.5 billion in special one-time federal funding, $1.2 billion of which is from recent federal grants provided specifically to help retain K-12 jobs, and $272 million from the last round of federal stabilization funding from the 2009 stimulus package. The LAO recognizes that, though the State is providing slightly more ongoing funding in fiscal year 2010-11 than fiscal year 2009-10, the large reliance on one-time solutions in fiscal year 2009-10 resulted in the need for fiscal year 2010-11 reductions, and that under the 2010 Budget Act and accompanying legislation, the reductions are largely treated as deferrals of payments rather than cuts, specifically deferring $1.9 billion in additional K-14 payments ($1.7 billion for K-12 education and $189 million for community colleges). The LAO also recognizes that 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.

A complete copy of the 2010 LAO Overview is posted by the Office of the Legislative Analyst at www.lao.ca.gov. This website is not incorporated herein by reference and neither the District nor the Underwriter make any representation as to the accuracy of the information provided therein.

LAO's November 2010 Report. On November 10, 2010, the LAO released its report entitled *The 2011-12 Final Budget: California's Fiscal Outlook* (the "LAO's November 2010 Report") in which the LAO recognizes that the State's budget challenges include a $6 billion projected deficit for fiscal year 2010-11 and a $19 billion gap between projected revenues and spending in fiscal year 2011-12. The LAO's November 2010 Report assumes that the State will be unable to secure around $3.5 billion of budgeted federal funding in fiscal year 2010-11 and projects higher than budgeted costs in prisons and other programs, and that the passage of Proposition 22 will prevent the State from achieving approximately $800 million of budgeted solutions in fiscal year 2010-11. The LAO's November 2010 Report states that the temporary nature of most of the State Legislature's 2010 budget-balancing actions and the extremely slow economic recovery will contribute to the $19 billion projected operating deficit in fiscal year 2011-12 and that actions taken by the State Legislature during the fiscal year 2010-11 budget process to reduce Proposition 98 education spending are a major contributor to the decline. Accordingly, the LAO projects annual budget problems of about $20 billion each year through fiscal year 2015-16. In fiscal year 2012-13, when the State must repay its 2010 borrowing of local property tax revenues and the full effect of Propositions 22 and 26 hit the State's bottom line, the LAO's November 2010 Report forecast shows the State's operating deficit will grow to $22.4 billion and that, because the LAO's methodology generally assumes no cost-of-living adjustments, these projections likely understate the magnitude of the State's fiscal problems during that forecast period.

The LAO's November 2010 Report also states that additional savings from Proposition 98 will be very difficult in light of the LAO forecast that State General Fund revenues and transfers will decline by over $8 billion in fiscal year 2011-12 due to the expiration of the temporary tax increases adopted in 2009. Because the Proposition 98 minimum school funding guarantee is affected by this drop, the LAO's budget forecast already reflects a $2 billion fall in the minimum guarantee between fiscal year 2010-11 and fiscal year 2011-12, a reduction that would come at the same time that school districts exhaust the billions of dollars of one-time federal money they have received through the stimulus program and other legislation. For these reasons, the LAO believes it may be very difficult for the State to achieve substantial additional budget reductions in Proposition 98 in fiscal year 2011-12 so that, if the Legislature funds schools at our projected minimum guarantee in fiscal year 2011-12, it would mean billions of dollars in programmatic cuts to education but would not contribute a single dollar to closing the State's $25 billion budget problem.

For fiscal year 2011-12, the LAO projects the Proposition 98 minimum guarantee will be about $2 billion lower than the fiscal year 2010-11 spending level due to the expiration of tax increases that temporarily raised tax revenues in fiscal year 2009-10 and fiscal year 2010-11. The LAO's November 2010 Report also projects that local property tax revenues are likely to modestly grow and that the State will have an outstanding maintenance factor obligation of $9.5 billion at the end of fiscal year 2010-11 and $4 billion in new maintenance factor in fiscal year 2011-12. The LAO also predicts that the minimum guarantee will fall $5.2 billion short of fully funding baseline K-14 costs in fiscal year 2011-12 so that, if the State funded at the minimum guarantee level in fiscal year 2011-12, school and community college districts would face significant programmatic reductions due to the decline in Proposition 98 funding in fiscal year 2011-12 coupled with the cost of backfilling for the loss of one-time fiscal year 2010-11 budget solutions. These reductions would occur at the same time as school districts exhaust one-time revenues from the federal ARRA of 2009 and the Education Jobs and Medicaid Assistance Act of 2010. While the minimum guarantee funding level in subsequent years could be sufficient to cover growth and COLA, funding would be insufficient to restore reductions made in fiscal year 2008-09 through fiscal year 2010-11. The LAO believes that given the potentially sizeable drop in the minimum guarantee in fiscal year 2011-12, the State Legislature should eliminate the $1.8 billion in K-14 payments deferred until July 2011 as part of the Final 2010-11 Budget as such deferrals translate into K-14 cuts almost double the level otherwise needed in fiscal year 2011-12. The LAO also states that, given that most K-14 districts have been cautious in increasing fiscal year 2010-11 program support as a result of the deferrals and some districts have been unable to access cash sufficient to support new spending paid for by the new deferrals, many districts would not be significantly impacted in fiscal year 2010-11 if the new deferral payments were eliminated.

The LAO's November 2010 Report projects that the State Legislature and Governor Brown will be tempted to continue patching over the State's budget problems with temporary fixes and that unless plans are put in place to begin tackling California's ongoing budget problem, it will continue to be difficult for the state to address fundamental public sector goals, such as rebuilding aging infrastructure, addressing massive retirement liabilities, maintaining service levels of high-priority government programs, and improving the State's tax system. Accordingly, the LAO believes that the State will face the basic choice to either begin to address today's huge, frustrating budget problems now or defer the State's budgetary and policy problems into the future. Accordingly, the LAO's November 2010 Report recommends that the State Legislature initiate a multiyear approach to solving the State's recurring structural budget deficit. In fiscal year 2011-12, the LAO believes that such an approach might involve $10 billion of permanent revenue and expenditure actions and $15 billion of temporary budget solutions and another few billion of permanent actions each year could be initiated in the next following fiscal years, along with other temporary budget solutions, until the structural deficit is eliminated. The LAO believes that, barring another sharp economic decline, such an approach could fix the State's near-term budget problems by the end of our forecast period in fiscal year 2015-16 and give the State flexibility to begin building reserves needed to address the next economic downturn and addressing long-term fiscal liabilities.

A complete copy of the LAO's November 2010 Report is posted by the Office of the Legislative Analyst at www.lao.ca.gov. This website is not incorporated herein by reference and neither the District nor the Underwriter make any representation as to the accuracy of the information provided therein.

Proposed 2011-12 Budget. Governor Edmund G. Brown Jr. released his proposed fiscal year 2011-12 State budget (the "Proposed 2011-12 Budget") on January 10, 2011. The Proposed 2011-12 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 Governor believes that the 2010 Budget Act 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 that a reasonable reserve of $1 billion, $26.4 billion in cuts, taxes and other budget solutions will be necessary to close the fiscal year 2011-12 budget gap.

The Proposed 2011-12 Budget recognizes that fiscal year 2010-11 revenues are $3.1 billion lower than were projected at the time of the 2010 Budget Act, 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 created an additional budget shortfall of $1.6 billion. The Proposed 2011-12 Budget also anticipates that other workload adjustments including population and caseload changes will add $2.1 billion to the budget gap. The

Proposed 2011-12 Budget includes $26.4 billion in spending cuts, revenues and other solutions and 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 Proposed 2011-12 Budget calls for an accelerated timeline to restore balance to the State's finances and assumes that all necessary statutory changes to implement budget solutions 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 Proposed 2011-12 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 Proposed 2011-12 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 but that, absent corrective action, it will once again face substantial challenges in meeting all General Fund cash needs beginning in July of 2011 so that, in addition to budget solutions, the State will need to obtain external financing early in the 2011-12 fiscal year.

The Proposed 2011-12 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 Proposed 2011-12 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 savings of $12 billion.

As it relates to K-12 education, the Proposed 2011-12 Budget maintains Proposition 98 programmatic funding for schools at the same level in fiscal year 2011-12 as in effect in fiscal year 2010-11 and also extends flexibility reforms 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 Proposed 2011-12 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 Proposed 2011-12 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 Proposed 2011-12 Budget include the following:

- Cost-of-Living Adjustment Increases — The Proposed 2011-12 Budget does not provide a cost-of- living-adjustment ("COLA") for any K-14 program in 2011-12. The projected COLA for 2011-12 is 1.67 percent, 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 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 the 2010-11 fiscal year.

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

- School Facilities Program Funding Adjustments — The workload budget includes a $316 million decrease in 2009-10 actual expenditures, a $2.07 billion increase in 2010-11 estimated expenditures and a $1.97 billion decrease in 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.

- Child Nutrition Program — An increase of $36.1 million in 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 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 significant other General Fund policy issues relating to K-12 are as follows:

- Extension of Flexibility for K-12 School Districts — The Proposed 2011-12 Budget proposes legislation 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 provided with 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 authorized 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 percent of General Fund expenditures to 1 percent.

- Deferred Maintenance Program Matching Requirement — The requirement that districts set aside one-half of 1 percent of their revenue limit funding for deferred maintenance was suspended for the 2008-09 to 2012-13 fiscal years.

A complete copy of the Proposed 2011-12 Budget is posted by the California Department of Finance website at www.ebudget.ca.gov. This website is not incorporated herein by reference and neither the District nor the Underwriter make any representation as to the accuracy of the information provided therein.

LAO Overview of Proposed 2011-12 Budget. The LAO released its "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 Proposed 2011-12 Budget was a reasonable estimate. In the 2011-12 Budget Overview, the LAO concurs with the Governor that major reasons for the current State budget shortfall include the inability of the State to achieve certain previous budget solutions, the expiration of various one-time and temporary budget solutions 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 Proposed 2011-12 Budget includes proposals impacting nearly every area of the fiscal year 2011-12 State budget and that the Proposed 2011-12 Budget is a good starting point for legislative deliberations, recognizing that the focus on multiyear and ongoing solutions 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 Proposed 2011-12 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 Proposed 2011-12 Budget, especially in the context of the realignment and redevelopment proposals which involve many 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 commitments, but that the Proposed 2011-12 Budget also presents an opportunity to reorder state and local government functions to improve the delivery of public services.

The 2011-12 Budget Overview recognizes that, while the Proposed 2011-12 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 Proposed 2011-12 Budget would result in a small programmatic funding decline for K-12 schools and significant reductions for child care programs. The 2011-12 Budget Overview also suggests that $128 million of the anticipated Proposition 98 savings included in the Proposed 2011-12 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 Proposed 2011-12 Budget proposal to increase community college fees.

A complete copy of the LAO's 2011-12 Budget Overview is posted by the Office of the Legislative Analyst at www.lao.ca.gov. This website is not incorporated herein by reference and neither the District nor the Underwriter make any representation as to the accuracy of the information provided therein.

SB 70 and SB 82. In March 2011, the Governor signed into law Senate Bill 70 ("SB 70") and Senate Bill 82 ("SB 82") to revise the State's cash management plan for Fiscal Years 2010-11 and 2011- 12. Pursuant to SB 70, there will be a one-time modification to the State's inter-fiscal year deferral payment schedule. Accordingly, warrants in the amount of $24.7 million will be deferred to July 2011 from February 2011, warrants in the amount of $1.405 billion will be deferred to August 2011 from February 2011, and warrants in the amount of $569.8 million will be deferred to August 2011 from February 2011. In addition, SB 70 defers warrants in the amount of $420 million to September 2011 from April 2011 and warrants in the amount of $800 million to September 2011 from May 2011. SB 70 also approves ongoing deferrals and directs that warrants in the amount of $1.3 billion be deferred to August 2011 from March 2011 and warrants in the amount of $764 million be deferred to August 2011 from April 2011.

Pursuant to SB 82, the State adopted several intra-year deferrals for Fiscal Year 2011-12. Accordingly, warrants in the amount $700 million will be deferred to September 2011 from July 2011, warrants in the amount of $700 million will be deferred to January 2012 from July 2011, warrants in the amount of $1.4 billion will be deferred to January 2012 from August 2011 and warrants in the amount of $2.4 billion will be deferred to January 2012 from October 2011. In addition, warrants in the amount of $1.4 billion will be deferred to April 2012 from March 2012. SB 82 contains a provision whereby a school district may, subject to the approval of the State's Director of Finance, receive scheduled payments from the State Controller if payments are deferred, if the county superintendent of schools certifies to the State Superintendent of Public Instruction and Director of Finance, that the deferral of warrants will result in a hardship for the school district.

Information about the financial condition of the State, including the State budget and State spending, is available at various State-maintained websites. Information concerning the current year State budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Analyses of the current year budget and future budget proposals are posted from time to time by the independent Office of the Legislative Analyst at www.lao.ca.gov. The most recent official statement prepared by the State in connection with general obligation debt or lease revenue obligations can be accessed from the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board (at http://emma.msrb.org). *The most recent such official statements were prepared prior to the end of 2010 and are, as a whole, out of date and should not be relied on for current information concerning the State's finances.* On March 24, 2011, the State filed an Annual Report with respect to its outstanding bond issues, which contains the audited Basic Financial Statements of the State for the year ended June 30, 2010, and certain other financial information, which may be found on the EMMA website and referred to for the most current information regarding the State's financial condition. However, it should be noted that this Annual Report speaks only as of its date of filing. All of the websites are provided for general informational purposes only and the material on such sites is in no way incorporated into this Official Statement. Readers are cautioned that such information may no longer be fully current and that the reported financial condition of the State may have changed since the date such information was published or posted on such websites.

Since the March 24, 2011, filing of the State's Annual Report, mentioned above, the Governor announced that, at this time, negotiations with the minority members of the Legislature have not yielded a compromise which would permit a 2/3 majority vote on the Governor's proposal to place a measure on the ballot in June to approve extension of certain temporary taxes. The Legislature has passed a total of $14.0 billion of budget solutions, leaving a remaining budget gap of $12.6 billion to be closed with future legislative actions. The Governor has signed 13 pieces of legislation enacting $11.2 billion of these solutions. This leaves about $15.4 billion of remaining budget gap to be signed into law by the Governor. The Governor will present a formal update of revenue projections and budget proposals not later than mid-May (the "May Revision") to address the remaining budget gap. The Constitution requires passage by the Legislature of a balanced budget by June 15, although this deadline has been missed in each of the past ten years. A protracted delay in adopting a budget for the 2011-12 fiscal year could place increased cash flow pressures on the State, potentially requiring cash management techniques such as delayed payments, or in the last resort, issuance of IOUs to assure that cash resources are able to pay highest priorities, such as payments to schools and debt service.

ABX8 5, ABX8 14 and AB 1610. On February 1, 2010, Governor Schwarzenegger signed into law ABX8 5, effective immediately, which included several measures meant to allow the State to effectively manage its cash resources in fiscal year 2009-10 and fiscal year 2010-11. For fiscal year 2009-10, ABX8 5 authorized the deferral of General Fund payments to be made to trial court operations, the California University system, the University of California system, and community colleges in March 2010 to no sooner than April 15, 2010, but no later than May 1, 2010. Prior to such deferrals, the State Controller, State Treasurer, and State Director of Finance are required to review the actual cash situation to determine if the deferrals are in-fact necessary. Further, if such deferrals are implemented, the State Controller, State Treasurer and State Director of Finance, after April 1, are required to review daily the actual cash receipts and disbursements to determine when all or a portion of the deferrals can be paid, and to make such payments as soon as feasible. To address the cash management issues in fiscal year 2010-11, ABX8 5 authorized specific deferrals to K-12 apportionments, Supplemental Security Income/State Supplementary Payments, local government social services and transportation payments and trial court operations. These deferrals were allowed only in July 2010 for no more than 60 days, October 2010 for no more than 90 days, and March 2011 for no more than 60 days. Prior to the implementation of such deferrals, the State Controller, State Treasurer and State Director of Finance must review the actual cash receipts and disbursements to determine if they are in-fact necessary. Further, if such deferrals are implemented, the State Controller, State Treasurer and State Director of Finance, after July 1, 2010, are required to conduct a daily review of the actual cash receipts and disbursements to determine when all or a portion of the deferrals can be paid, and to make such payments as soon as feasible. In addition, such deferrals may be moved forward or backward one month from the dates specified if all three of the State Controller, State Treasurer and State Director of Finance determine that a move is necessary. ABX8 5 limited the K-12 deferrals to $2.5 billion at any given time during the fiscal year 2010-11 and sets a maximum of three K-12 deferrals during that fiscal year. ABX8 5 provided a hardship exemption for county offices of education, local education agencies and charter schools. ABX8 5 further authorized the deferral of $200 million from July 2010 to October 2010 and $100 million from March 2011 to May 2011 for community colleges. ABX8 5 also provided for a hardship exemption for community colleges.

On March 22, 2010, Governor Schwarzenegger signed into law, effective immediately, ABX8 14 which amended the cash management provisions for fiscal year 2009-10 and fiscal year 2010-11 enacted into law pursuant to ABX8 5. With regard to fiscal year 2009-10 cash management issues, ABX8 14 provides a hardship exemption process for the current year deferrals for community colleges and makes them the first entity to have deferrals paid as soon as funds are available. As to fiscal year 2010-11 cash issues, ABX8 14 clarifies the hardship exemption process for school districts, county offices of education and charter schools and provides certain other changes pertaining to those provisions. In addition, ABX8 14 required the State Controller, State Treasurer, and State Director of Finance to jointly provide a written declaration of the intended payment deferrals for fiscal year 2010-11 no later than March 31, 2010 as well as requiring approval by the Director of Finance for hardship exemptions; and states the intent of the legislature that July 2010 deferrals shall first be made from the advance principal apportionment payment. The legislation also delayed the date by which hardship exemption requests must be submitted (including with respect to fiscal year 2010-11 community college deferrals) and provided a second hardship waiver opportunity for the March 2011 deferral for those districts that did not receive an initial hardship waiver in June 2010.

The Proposed 2011-12 Budget includes $2.2 billion in new inter-year deferrals from fiscal year 2011-12 to 2012-13, $2.1 billion of which will derive from K-12 revenue limit payments and $129 million from community college apportionment payments. Although the administration has not yet determined from which months K-12 revenue limit payments would be deferred, it has indicated that deferrals likely would not be repaid until September or October of 2012. This intra-year deferral plan included in the Proposed 2011-12 Budget would delay $2.5 billion in K-12 payments and $200 million in community college apportionments beginning in July 2011, reflecting the same magnitude as the 2010-11 intra-year deferrals. The LAO indicates in its 2011-12 Budget Overview, that the proposed deferrals included in the Proposed 2011-12 Budget could be problematic if they are not paid until the fall of 2012 (all existing deferrals are paid by August) and that the intra-year deferrals may defer already-deferred payments until even later in the next fiscal year. Consequently, the inter-year and intra-year deferrals could result in school districts and community colleges facing significant cash flow difficulties in the summer and fall of 2012. See the sub-caption "Proposed 2011-12 Budget" above.

In addition, the State adopted AB 1610 which directed warrants for the principal apportionments for the month of February 2011 in the amount of $2 billion be drawn in July 2011, warrants for the principal apportionments for the month of April 2011 in the amount of $679 million and for the month of May 2011 in the amount of $1 billion be drawn in August 2011, warrants for the principal apportionments for the month of April 2011 in the amount of $420 million and for the month of May 2011 in the amount of $800 million be drawn in July 2011. AB 1610 also approved a waiver provisions relation to an amount up to $100 million for June of each year to July of such year subject to a demonstration of financial hardship by the requesting school district.

May, 2011 Budget Revision. On May 16, 2011, Governor Brown issued his proposed May Revision of the State Budget. The May Revision reflects an assumed $6.6 billion in new state revenues over the 2010-11 and 2011-12 budget years ($3.3 billion each year). However, the State still faces a $10 billion structural deficit and the Governor calls for the Legislature to adopt $11 billion in new solutions to rebuild a modest reserve. The Governor plans to use almost all of the $6.6 billion in new revenues to reduce the need for some targeted tax extensions and to start paying down the State's $35 billion in debt.

The May Revision proposed that the Legislature act by the end of June 2011 and the voters ratify in November 2011 the extension of current sales tax and vehicle license fee rates and the dependent credit exemption level for five years. If these tax extensions are approved, the budget provides an additional $3 billion to schools in 2011-12. This $3 billion is over and above the 2011-12 $49.4 billion Proposition 98 guarantee and funding level approved by the Legislature in March 2011. It is approximately $1 billion above the $51.3 billion funding level included in the Governor's January budget. However, the Governor proposes that $2.85 billion of the $3 billion go toward eliminating deferrals, not toward increased revenue limit funding. Additional revenues generated by the tax extensions would fund a major realignment of public safety programs.

The Governor proposes that the remaining savings from revenue increases and future revenue growth above current program funding be dedicated to paying off the State's $35 billion in debt. Under the Governor's proposals, at least $29 billion in deferrals and debt would be paid off by 2014-15.

The Governor's May Revision removed the proposed income tax extension and his proposal to eliminate the enterprise tax credit. The Governor is continuing to propose the elimination of redevelopment agencies.

LAO Report on May Revise. The LAO's May 19, 2011 report on the Governor's May Revision concludes that the Governor's budget estimates in the May Revision are based on reasonable assumptions. However, the LAO notes, school districts, counties and the State face uncertainty as to funding levels in the fiscal year because the Governor's revenue assumptions rely on the extension of temporary increases in personal income tax, sales and use tax and vehicle license fees to be approved by the voters. The LAO deems the Governor's proposals worthy of legislative consideration, noting that in past budgets the State was unable to make significant inroads into its underlying operating shortfall due to a reliance on one-time and short-term solutions; whereas, this year, an estimated $6.6 billion improvement in state tax collections, and $13 billion in budgetary solutions already adopted by the Legislature, puts the State in the position to dramatically reduce its budget problem in coming years.

2011-12 State Budget. On June 30, 2011, the State budget for fiscal year 2011-12 (the "2011-12 Budget") was enacted, closing a $26.6 billion budget gap by reducing expenditures by $15 billion, targeting revenue increases of $0.9 billion and additional solutions of $2.9 billion. The remaining $8.3 billion in changes stem from the improvement in the State's revenue outlook. $27.2 billion in changes balances the Budget and leaves the State with a reserve of $543 million. General Fund spending totals $85.9 billion, a 6.1 percent reduction from 2010-11. The 2011-12 Budget includes a major realignment of public safety programs from the State to local governments. Other realigned programs include local public safety programs, mental health, substance abuse, foster care, child welfare services and adult protective services.

The 2011-12 Budget includes $15 billion in spending reductions by: maintaining K-12 education funding at a similar level as 2010-11, reducing State Supplementary Payment grants, reducing CalWORKS grants, reducing California Department of Corrections and Rehabilitation's inmate population by 25 percent once realignment is fully implemented, requiring recipients of Medi-Cal health benefits to pay a share of the cost for doctor visits and other services, reducing the State's support for the University of California and California State University by 22 and 25 percent, respectively, requiring community college students to pay $10 more per class unit, delaying the court system's construction program for one year, eliminating the Adult Day Health Care program, Williamson Act subventions, and the refundable child care and dependent tax credit, reducing the State's workforce by 5,500 positions; and eliminating 20 boards, commissions, task forces, offices and departments, including the California Medical Assistance Commission and the Office of Insurance Advisor.

The May Revision reflected $6.6 billion in higher tax receipts compared to the Proposed 2011-12 Budget. Since the May Revision, tax receipts were higher than expected by an estimated $1.2 billion in May and June. With the improved revenue receipts, the 2011-12 Budget projects an additional $4 billion in estimated 2011-12 revenues. In order to mitigate the risk if higher revenues do not materialize, if projected revenues fall short of expectations by more than $1 billion, an additional $600 million in cuts to higher education, health and human services and public safety would be implemented beginning in January 2012. If projected revenues fall short by more than $2 billion, an additional $1.9 billion in education reductions would be implemented – shortening the school year by 7 days, eliminating the home-to-school transportation program and reducing community college apportionments.

With respect to K-12 education, the 2011-12 Budget includes total funding of $64.1 billion ($34.7 billion General Fund and $29.4 billion other funds) for all K-12 Education programs. For 2011-12, the Proposition 98 Guarantee (the "Guarantee") is $48.7 billion, of which $32.9 billion is General Fund. This Guarantee level reflects an increase in General Fund revenues in 2011-12, the expiration of a variety of short-term tax increases and the rebenching or adjustment of the Guarantee for revenue and program shifts. In 2011-12, there are four new rebenching impacts: (1) an increase of $578.1 million to ensure that the Guarantee does not decrease with the shift in motor vehicle fuel revenues, (2) an increase of $221.8 million to reflect the inclusion of mental health and out-of-home care services within the Guarantee, (3) a decrease of $1.134 billion to reflect the exclusion of child care programs, with the exception of partial-day preschool programs, from Proposition 98, and (4) a decrease of $1.7 billion to ensure that the total Guarantee is not changed due to new local revenue related to redevelopment agencies. In addition to the above adjustments, Proposition 98 is decreased $2.1 billion as a result of the reduction in General Fund sales tax revenue related to the realignment of public safety programs to counties.

The 2011-12 Budget includes the following:

- **Defer $2.1 billion in K-12 Education spending** – this additional deferral maintains funding for K- 12 education programs at the 2010-11 funding level.

The 2011-12 Budget includes the following Proposition 98 General Fund policy and workload adjustments:

- **Shift In Mental Health Services from Counties to Schools** – The 2011-12 Budget rebenches the Proposition 98 guarantee and provides an increase of $221.8 million Proposition 98 General Fund to shift the responsibility for providing mental health services, including out of home residential services, required under federal law from county mental health departments and county welfare departments to school districts. School districts can contract with counties to provide services using Proposition 63 funds, but schools would be responsible for any excess costs over a given amount. In total, the 2011-12 Budget provides $389.4 million from all fund sources, including $69 million in federal funds currently budgeted for mental health services.

LEGAL OPINION

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

TAX MATTERS

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

Subject to the District's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

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

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax exempt interest, including interest on the Bonds.

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL ADVISOR

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

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than 270 days following the end of the District's fiscal year (which date would be March 30 following the current end of the District's fiscal year on June 30), commencing with the report for the 2010-11 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of the enumerated events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be made available and to be contained in the notices of enumerated events is described in APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

LEGALITY FOR INVESTMENT IN CALIFORNIA

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

ABSENCE OF MATERIAL LITIGATION

There is no controversy of any nature now pending against the Authority or the District or, to the knowledge of their respective officers, threatened which seeks to restrain or enjoin the sale, execution or delivery of the Bonds or the District Bonds or which in any way contests or affects the validity of the Bonds or the District Bonds or any proceedings of the Authority or the District taken with respect to the execution, delivery or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Bonds or the District Bonds, the use of Bond or District Bond proceeds or the existence or powers of the Authority or the District relating to the execution and delivery of the Bonds or the District Bonds.

Except as described below there is no controversy or litigation of any nature now pending against the District, or to the knowledge of its officers, threatened, which, if successful, would materially adversely affect the operations or financial condition of the District.

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

RATINGS

S&P and Moody's are expected to assign the ratings of "AA+" (stable outlook) and "Aa3" (negative outlook), respectively, to the Bonds based on the issuance of the Municipal Bond Insurance Policy by AGM. See "MUNICIPAL BOND INSURANCE." In addition, S&P and

Moody's have assigned the underlying ratings of "A" and "Aa3," respectively, to the Bonds. These ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from S&P at 55 Water Street, New York, NY 10041, and from Moody's, at 7 World Trade Center, 250 Greenwich Street, New York, NY 10007. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by such organizations, if in the judgment of such organizations, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by George K. Baum & Company (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of $60,854,840.97 (being equal to the aggregate principal amount thereof, plus an original issue premium of $1,811,971.25, less an Underwriter's discount of $539,999.57, less the premium for the Municipal Bond Insurance Policy (hereinafter defined) of $417,082.71). The bond purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions. In addition, the Underwriter will pay certain costs of issuance of the Bonds, as set forth in the bond purchase agreement relating to the Bonds.

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

THE TRUSTEE

The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States, has been appointed to serve as Trustee for the Bonds. The Trustee is to carry out those duties assignable to it under the Indenture. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and does not assume any responsibility for the nature, completeness, contents or accuracy of the Official Statement.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the Authority of any of the Bonds authenticated or delivered pursuant to the Indenture or for the use or application of the proceeds of such Bonds by the Authority or the District. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets pledged or assigned as security for the Bonds or the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Indenture, the 2006C Bond Resolution, the 2010A Bond Resolution, the Continuing Disclosure Certificate, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

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

PITTSBURG UNIFIED SCHOOL DISTRICT

By /s/ Enrique E. Palacios
Associate Superintendent of
Business Services

APPENDIX A

THE ECONOMY OF THE DISTRICT

While the economics of the City and County and surrounding region influence the economics within the District, only property within the District is subject to an unlimited ad valorem tax levy to pay debt service on the Bonds.

Introduction

The District is located in the City of Pittsburg in Contra Costa County. Situated northeast of San Francisco, the County is bounded by San Francisco Bay to the west, the San Pablo Bay and the Sacramento River delta to the north, and by Alameda County on the south. Ranges of hills effectively divide the County into three distinct regions. The western portion, with its access to water, contains much of the County's heavy industry. The central section is rapidly developing from a suburban area into a major commercial and financial headquarters center. The eastern part is also undergoing substantial change, from a rural, agricultural area, to a suburban region. the County has extensive and varied transportation facilities — ports accessible to ocean-going vessels, railroads, freeways, and rapid transit lines connecting the area with Alameda County and San Francisco.

Population

The table below summarizes population or the City and the County.

POPULATION
City of Pittsburg and Contra Costa County

Year	City of Pittsburg	Contra Costa County
1980	33,034	656,380
1990	47,607	803,732
2000	56,769	948,816
2006	62,189	1,025,436
2007	62,684	1,035,097
2008	63,351	1,048,185
2009	63,827	1,061,325
2010	64,967	1,073,055

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

Employment

The following table summarizes historical employment and unemployment in the Oakland Metropolitan Statistical Area, which is comprised of both Alameda and Contra Costa Counties.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Oakland MSA
Annual Averages, 2006-2010

	2006	2007	2008	2009	2010
Civilian Labor Force (1)					
Employment	1,192,800	1,202,900	1,202,600	1,151,800	1,133,200
Unemployment (2)	54,500	59,000	78,700	133,500	144,200
Total	1,247,300	1,262,000	1,281,300	1,285,300	1,277,400
Unemployment Rate (3)	4.4%	4.7%	6.1%	10.4%	11.3%

Source: California Employment Development Department, based on March 2010 benchmark.
(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures in this table.

The following table summarizes the historical numbers of workers in the Oakland Metropolitan Statistical Area, which is comprised of both Alameda and Contra Costa Counties, by industry.

ANNUAL AVERAGE WAGE AND SALARY EMPLOYMENT
Oakland MSA
2006-2010

	2006	2007	2008	2009	2010
Total, All Industries	1,046,100	1,049,700	1,031,800	969,400	949,800
Farm	1,500	1,500	1,400	1,400	1,500
Non-Farm:					
Goods Producing	170,300	167,200	159,100	137,500	127,400
Mining and Logging	1,200	1,200	1,200	1,200	1,200
Construction	73,300	71,700	64,900	53,500	47,600
Manufacturing	95,800	94,400	93,100	82,800	78,600
Service Providing	874,300	881,000	871,200	830,400	821,000
Trade, Transportation & Utilities	197,100	199,300	193,000	179,000	173,900
Wholesale Trade	48,800	48,700	47,600	43,700	42,100
Retail Trade	113,300	113,300	109,400	102,100	99,900
Information	30,100	29,000	27,800	25,300	23,900
Financial Activities	63,700	58,100	52,700	48,000	48,300
Professional & Business Services	155,100	158,200	162,400	148,700	148,000
Educational & Health Services	124,800	128,300	133,000	137,200	139,700
Leisure & Hospitality	85,600	88,000	89,100	85,100	85,600
Other Services	35,900	36,200	36,100	34,700	34,600
Government	182,000	183,900	177,200	172,500	167,100

Source: California Employment Development Department, based on March 2010 benchmark.
(1) Employment is reported by place of work; it does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not add to totals due to rounding.

Major Employers

The largest employers in the City are as follows:

LARGEST EMPLOYERS
City of Pittsburg

Company	Employees
Pittsburg Unified School District	965
USS-POSCO Industries	900
Los Medanos College	640
Dow Chemical Company	400
City of Pittsburg	268
Mi Pueblo Foods	250
Angelica	220
Ramar Foods	220
Wal-Mart	220
WinCo Foods	200

Source: City of Pittsburg 2009 Comprehensive Annual Financial Report.

The largest employers in the County are as follows:

LARGEST EMPLOYERS
Contra Costa County

Company	Location	Product/Service
Bayer Health Care Phrmctcls	Richmond	Laboratories-pharmaceutical (mfrs)
Bio-Rad Laboratories Inc	Hercules	Laboratory analytical instruments (mfrs)
Chevron Corp	San Ramon	Petroleum products-manufacturers
Chevron Global Downstream LLC	San Ramon	Petroleum products (whls)
Concord Naval Weapons Station	Concord	Federal government-national security
Contra-Costa Regional Med Ctr	Martinez	Hospitals
Department of Veterans Affairs	Martinez	Physicians & surgeons
Doctor's Medical Ctr	San Pablo	Hospitals
John Muir Medical Ctr	Walnut Creek	Hospitals
John Muir Medical Ctr	Concord	Hospitals
John Muir Physical Rehab	Concord	Rehabilitation services
Kaiser Permanente	Walnut Creek	Hospitals
Kaiser Permanente Medical Ctr	Martinez	Clinics
La Raza Market	Richmond	Grocers-retail
Muirlab	Walnut Creek	Laboratories-medical
PMI group Inc	Walnut Creek	Insurance-bonds
Richmond City Offices	Richmond	Government offices-city, village & twp
San Ramon Regional Medical Ctr	San Ramon	Hospitals
Shell Oil Products Co	Martinez	Oil refiners (mfrs)
St Mary's	Moraga	Schools-universities & colleges academic
St Mary's College of CA	Moraga	Schools-universities & colleges academic
Sutter Delta Medical Ctr	Antioch	Hospitals
Tesoro Golden Eagle Refinery	Pacheco	Oil refiners (mfrs)
USS-Posco Industries	Pittsburg	Steel mills (mfrs)
VA Outpatient Clinic	Martinez	Physicians & surgeons

Source: This list of major employers was extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2011, 1st Edition. Employer information is provided by infogroup®, Omaha, NE, 800-555-5211.

Construction Activity

The following table reflects the five-year history of building permit valuation for the City and the County:

CITY OF PITTSBURG
Building Permits and Valuation
(Dollars in Thousands)

	2006	2007	2008	2009	2010
Permit Valuation:					
New Single-family	$27,971	$ 42,631	$ 7,367	$26,121	$12,720
New Multi-family	11,630	27,622	24,591	0	9,715
Res. Alterations/Additions	10,588	5,788	4,437	3,455	2,243
Total Residential	50,189	76,040	36,395	29,576	24,678
Total Nonresidential	33,955	39,350	61,812	9,968	30,029
Total All Building	$84,144	$115,390	$98,206	$39,544	$54,707
New Dwelling Units:					
Single Family	156	229	42	154	67
Multiple Family	103	330	133	0	111
Total	259	559	175	154	178

Sources: Construction Industry Research Board: "Building Permit Summary."
Note: Totals may not add due to independent rounding.

CONTRA COSTA COUNTY
Building Permits and Valuation
(Dollars in Thousands)

	2006	2007	2008	2009	2010
Permit Valuation:					
New Single-family	$ 986,694	$ 832,053	$ 300,089	$300,363	$237,458
New Multi-family	157,972	94,505	132,825	34,119	106,555
Res. Alterations/Additions	307,153	290,108	29,023	170,150	209,044
Total Residential	1,451,818	1,216,666	661,937	504,632	553,058
Total Nonresidential	412,500	491,315	459,933	314,301	285,417
Total All Building	$1,864,318	$1,707,980	$1,121,869	$818,934	$838,475
New Dwelling Units:					
Single Family	3,310	2,698	985	1,038	809
Multiple Family	1,178	909	909	163	890
Total	4,488	3,607	1,894	1,201	1699

Sources: Construction Industry Research Board: "Building Permit Summary."
Note: Totals may not add due to independent rounding.

Commercial Activity

Taxable sales in the City and County are shown below. The latest full-year data available from the State is for calendar year 2009. In early 2007 the Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System (NAICS) codes. This process is now complete; over one million permit holders were converted from the previous business coding system to the NAICS codes. Beginning in 2009, reports summarize taxable sales and permits using the NAICS codes. As a result of the coding change, however, industry-level data for 2009 are not comparable to that of prior years.

TAXABLE SALES, 2005-2009
City of Pittsburg
(in thousands)

	Taxable Sales ($000)				
	2005	2006	2007	2008	2009
Retail Stores	$601,296	$574,908	$548,684	$477,842	$392,290
Total Outlets	747,949	705,357	687,405	620,665	601,887

Source: California Board of Equalization.

TAXABLE SALES, 2004-2008
Contra Costa County
(in thousands)

	Taxable Sales ($000)			
	2005	2006	2007	2008
Retail Stores				
Apparel Stores	$ 451,401	$ 462,451	$ 470,507	$ 528,456
General Merchandise	1,840,754	1,882,310	1,878,711	1,753,124
Specialty Stores (1)	1,339,013	1,353,099	-	-
Food Stores	607,168	607,062	616,296	594,275
Eating and Drinking	1,049,124	1,098,793	1,125,644	1,134,412
Household Group	483,977	468,008	427,995	471,620
Building Material Group	1,092,471	1,027,731	944,683	747,773
Automotive Group	2,901,766	3,061,806	1,812,785	1,406,932
Service Stations (2)	-	-	1,351,405	1,514,897
All Other Retail Stores	306,410	314,647	1,481,678	1,332,819
Retail Stores Totals	10,072,084	10,275,907	10,109,704	9,484,307
Business & Personal Services	524,750	567,375	555,973	533,701
All Other Outlets	2,883,241	3,024,379	340,618	3,289,673
Total All Outlets	$13,480,075	$13,867,661	$14,086,295	$13,307,681

	2009 (1)
Retail and Food Services	
Motor Vehicles and Parts Dealers	$ 1,184,803
Furniture and Home Furnishings Stores	225,331
Electronics and Appliance Stores	385,742
Bldg Mtrl. and Garden Equip. and Supplies	711,475
Food and Beverage Stores	657,337
Health and Personal Care Sotres	264,279
Gasoline Stations	1,151,058
Clothing and Clothing Accessories Stores	642,813
Sporting Goods, Hobby, Book and Music Stores	314,924
General Merchandise Stores	1,380,111
Miscellaneous Store Retailers	397,297
Nonstore Retailers	47,224
Food Services and Drinking Places	1,111,182
Total Retail and Food Services	84,735,748
All Other Outlets	3,409,471
Totals All Outlets	$11,883,049

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).
(1) Most recent annual data available.

Median Household Income

The following table summarizes the median household effective buying income for the City, the County, the State of California and the nation for the years 2006 through 2010.

CITY, COUNTY, STATE AND UNITED STATES
Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2006	City of Pittsburg	$ 1,066,272	$47,835
	Contra Costa County	28,611,520	58,497
	California	764,120,962	46,275
	United States	6,107,092,244	41,255
2007	City of Pittsburg	$ 1,129,842	$49,340
	Contra Costa County	30,138,295	61,123
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of Pittsburg	$ 1,143,750	$50,150
	Contra Costa County	30,737,690	61,903
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Pittsburg	$ 1,210,668	$50,490
	Contra Costa County	31,197,703	64,213
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Pittsburg	$ 1,119,470	$47,119
	Contra Costa County	30,049,698	61,031
	California	801,393,028	47,177
	United States	6,365,020,076	41,368

Source: Nielsen Claritas, Inc.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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PITTSBURG
UNIFIED SCHOOL DISTRICT

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2010

christyWHITE A Professional Accountancy Corporation

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PITTSBURG UNIFIED SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended June 30, 2010
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SUPPLEMENTARY INFORMATION

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christyWHITE A Professional Accountancy Corporation

Board of Trustees
Pittsburg Unified School District
Pittsburg, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pittsburg Unified School District, as of and for the fiscal 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 Pittsburg Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Pittsburg Unified School District, as of June 30, 2010, and the respective changes in financial position thereof for the fiscal 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 9, 2010 on our consideration of the Pittsburg Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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www.cwacpa.com

The management's discussion and analysis on pages 3 through 13, the budgetary comparison schedule on page 57, and the schedule of funding progress on page 58 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Christy White Accountancy Corporation

San Diego, California
December 9, 2010

Management's Discussion and Analysis

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This discussion and analysis of Pittsburg Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets increased 16% over the course of the year, primarily due to an increase in capital assets in buildings.
- Overall government-wide revenues were $118,121,897. Revenues were $18,120,338 more than expenses.
- The total cost of basic programs was $100,001,559.
- Capital assets increased $41,935,685 due to the acquisition of buildings.
- The District increased its outstanding long-term debt $32,093,192 or 26% over the prior year.
- The District's P-2 average daily attendance (ADA) increased by 49, or less than 1%.
- The District maintains sufficient reserves for a district its size at 11% of total expenditures and other outgo. During fiscal year 2009-10, General Fund revenues and other financing sources decreased $1,507,285 through a combination of state deficit and the loss of the one-time receipt of federal stimulus funds. Total outgo increased by $305,557.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Pittsburg Unified School District's Annual Financial Report

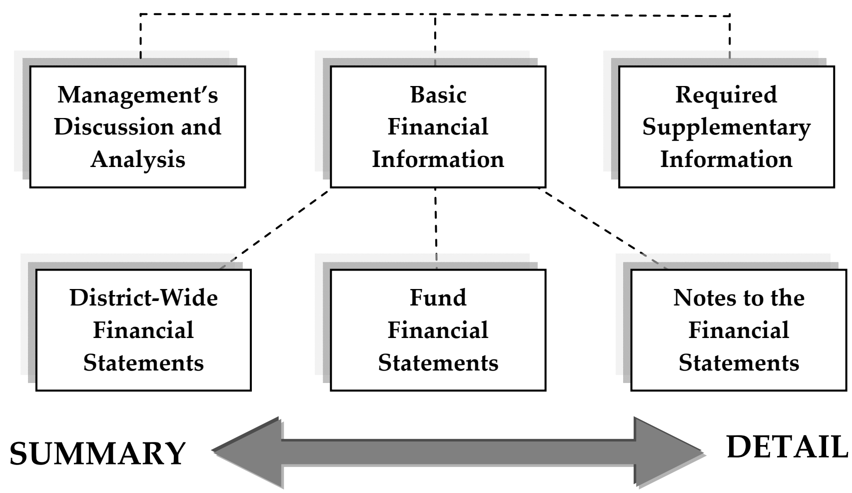

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities money
Required financial statements	• Statement of Net Assets • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain non-financial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-wide Statements

The district-wide statements report 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. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases and decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating.

- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

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 by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like Federal grants).

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets: The District's combined net assets were higher on June 30, 2010, than they were the year before – increasing 16% to $134,550,800. (See Table A-1).

Table A-1
Pittsburg Unified School District's Net Assets

	Governmental Activities		Total Percentage Change
	2009	**2010**	**2009-10**
Current assets	$ 85,111,510	$ 97,531,018	15%
Noncurrent assets	169,351,487	207,555,869	23%
Total assets	254,462,997	305,086,887	20%
Current liabilities	19,478,443	19,653,148	1%
Noncurrent liabilities	118,554,092	150,882,939	27%
Total liabilities	138,032,535	170,536,087	24%
Total net assets	$ 116,430,462	$ 134,550,800	16%

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in net assets, governmental activities. The District's total revenues were $118,121,897 (See Table A-2). This is an increase of about $17,711,742 or 18%, which is due mainly due to an increase in capital grants and contributions.

The total cost of all programs and services was $100,001,559. The District's expenses are predominantly related to educating and caring for students, 69%. The purely administrative activities of the District accounted for just 5% of total costs. The total expenses increased by 2%.

Table A-2
Changes in Pittsburg Unified School District's Net Assets

	Governmental Activities		Total Percentage Change
	2009	**2010**	**2009-10**
Revenues:			
Program revenues			
Charges for services	$ 645,730	$ 498,587	-23%
Operating grants and contributions	27,627,738	24,041,161	-13%
Capital grants and contributions	4,189,734	20,148,637	381%
General revenues			
Property taxes	16,624,243	18,318,926	10%
Other revenues	51,322,710	55,114,586	7%
Total revenues	100,410,155	118,121,897	18%
Expenses:			
Instruction-related	60,906,190	60,867,737	0%
Student support services	8,916,708	8,455,292	-5%
Maintenance and operations	11,040,745	14,571,391	32%
Administration	7,187,478	4,902,550	-32%
Other expenses	9,930,942	11,204,589	13%
Total expenses	97,982,063	100,001,559	2%
Change in net assets	$ 2,428,092	$ 18,120,338	646%

Governmental Activities

Table A-3 presents the cost of five major District activities: instruction and instruction related; student support services; general administration; maintenance, operations and facility acquisition; and miscellaneous other. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

- The cost of all governmental activities this year was $100,001,559.
- The federal and state governments subsidized programs with charges for services ($498,587), operating grants and contributions ($24,041,161), and capital grants and contributions ($20,148,637) for governmental activities.
- Most of the District's costs ($55,313,174) for governmental activities, however, were paid for by District taxpayers and the taxpayers of California. This portion of governmental activities and business-type activities was paid for with property taxes, unrestricted state aid based on the statewide education aid formula, and with investment earnings.

Table A-3
Net Costs of Pittsburg Unified School District's
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instructional services	$ 60,867,737	$ 23,460,341
Pupil support services	8,455,292	2,556,147
Maintenance and operations	14,571,391	14,335,226
Administration	4,902,550	4,199,938
Other expenses	11,204,589	10,761,522
Total expenses	$ 100,001,559	$ 55,313,174

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $81,686,260, which is more than last year's ending fund balance of $69,241,032.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments from original to final budget fall into these categories:

- Budgeted revenues – increased by $4,533,715 primarily to reflect federal and state budget actions
- Budgeted expenditures – increased about $5,098,503 primarily to re-budget carryover funds from the prior year

While the District's final budget for the General Fund anticipated expenditures would exceed revenues by $1,949,963, the actual results for the year show that revenues actually exceeded expenditures by $1,373,152. Actual revenues were $4,475,792 less than anticipated, but expenditures were $7,798,907 less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2009-10 the District had invested over $299,385,568 in capital assets as shown in Table A-4. (More detailed information about capital assets can be found in Note 6 to the financial statements.)

Table A-4
Pittsburg Unified School District's Capital Assets

	Governmental Activities		Total Percentage Change
	2009	2010	2009-10
Land	$ 1,785,563	$ 1,785,563	0%
Site improvements	19,290,881	19,290,881	0%
Buildings	137,648,725	202,860,936	47%
Furniture and equipment	4,246,350	5,920,883	39%
Construction in progress	94,478,364	69,527,305	-26%
Total capital assets	$ 257,449,883	$ 299,385,568	16%

Long-Term Debt

At year-end the District had $153,967,284 in general obligation bonds, certificates of participation, other postemployment benefits, and compensated absences – an increase of 26% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

Table A-5
Pittsburg Unified School District's Long-Term Debt

	Governmental Activities		Total Percentage Change
	2009	2010	2009-10
Compensated absences	$ 183,304	$ 611,699	234%
Certificates of participation	10,800,000	43,775,000	305%
General obligation bonds	110,161,156	107,792,437	-2%
Other postemployment benefits	729,632	1,788,148	145%
Total long-term debt	$ 121,874,092	$ 153,967,284	26%

FACTORS BEARING ON THE DISTRICT'S FUTURE

The state's budget situation continues to reflect challenging economic conditions. The 2010 State Budget was balanced on optimistic state and federal revenue projections, the sale of state properties, additional borrowings, and the suspension of the Proposition 98 minimum guarantee. While the state's economy continues to gradually recover along with the nation's, a relatively slow pace of job growth in California presents a headwind for a more rapid rate of economic recovery.

The state's budget challenges have adversely impacted the K-12 education budget. As a result, the average unified school district in the state of California in 2010-11 is expected to lose approximately $25 per unit of average daily attendance over 2009-10 in revenue limit state funding, to an average funded revenue limit of approximately $6,386 per unit of average daily attendance. However, a corresponding decrease in the deficit factor offsets the loss keeping funding levels in 2010-11 the same as 2009-10, and without the $253 per ADA one-time funding reduction experienced in 2009-10.

Federal funding for categorical programs was given another one-time funding boost in 2010-11 with the Education Jobs Act funding. In addition, the final 10% of the State Fiscal Stabilization funds, part of the American Recovery and Reinvestment Act (ARRA), are to be paid in 2010-11. ARRA funds must be spent prior to the September 30, 2011.

State categorical program flexibility continues for 2009-10 and 2010-11 with no anticipated changes. School districts continue to be authorized to use funding from 42 Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed for two more years and school agencies maintain the flexibility to shorten the school year until 2012-13. Reserve requirements for economic uncertainties, if reduced by school agencies, must be fully restored by 2011-12.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Other Factors

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

All of these factors were considered in preparing the Pittsburg Unified School District budget for the 2010-11 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office, Pittsburg Unified School District, 2000 Railroad Avenue, Pittsburg, California 94565.

Financial Section

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PITTSBURG UNIFIED SCHOOL DISTRICT
Statement of Net Assets
June 30, 2010

	Total Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	$ 79,264,817
Investments	2,314,997
Accounts receivable	13,794,215
Inventories	59,980
Prepaid expenses	2,097,009
Total current assets	97,531,018
Noncurrent assets:	
Capital assets:	
Land	1,785,563
Site improvements	19,290,881
Buildings	202,860,936
Furniture and equipment	5,920,883
Construction in progress	69,527,305
Less accumulated depreciation	(91,829,699)
Total capital assets, net of depreciation	207,555,869
Total noncurrent assets	207,555,869
Total assets	305,086,887
LIABILITIES	
Current liabilities:	
Accounts payable	5,593,059
Deferred revenue	1,975,744
Other current liabilities	9,000,000
Certificates of participation payable, current	605,000
General obligation bonds payable, current	2,479,345
Total current liabilities	19,653,148
Noncurrent liabilities:	
Compensated absences payable	611,699
Certificates of participation payable, noncurrent	43,170,000
General obligation bonds payable, noncurrent	105,313,092
Other postemployment benefits	1,788,148
Total noncurrent liabilities	150,882,939
Total liabilities	170,536,087
NET ASSETS	
Invested in capital assets, net of related debt	106,588,302
Restricted for:	
Capital projects	9,701,933
Debt service	4,885,114
Educational programs	3,676,406
Unrestricted	9,699,045
Total net assets	$ 134,550,800

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

PITTSBURG UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental activities:					
Instructional services:					
Instruction	$ 51,737,995	$ 39,390	$ 14,848,775	$ 20,148,637	$ (16,701,193)
Instruction-related services:					
Supervision of instruction	2,191,577	-	1,601,495	-	(590,082)
Instructional library, media and technology	574,490	187	107,028	-	(467,275)
School site administration	6,363,675	3,587	658,297	-	(5,701,791)
Pupil support services:					
Home-to-school transportation	1,447,907	22	712,847	-	(735,038)
Food services	3,533,091	206,549	3,583,731	-	257,189
All other pupil services	3,474,294	735	1,395,261	-	(2,078,298)
General administration services:					
Data processing services	675,276	-	10,315	-	(664,961)
Other general administration	4,227,274	8,977	683,320	-	(3,534,977)
Plant services	14,571,391	23,074	213,091	-	(14,335,226)
Ancillary services	247,366	22	23	-	(247,321)
Community services	49,815	-	-	-	(49,815)
Interest on long-term debt	6,522,043	-	-	-	(6,522,043)
Other outgo	487,378	216,044	226,978	-	(44,356)
Depreciation (unallocated)	3,897,987	-	-	-	(3,897,987)
Total governmental activities	$ 100,001,559	$ 498,587	$ 24,041,161	$ 20,148,637	(55,313,174)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	6,957,736
Property taxes, levied for debt service	7,590,703
Property taxes, levied for other specific purposes	3,770,487
Federal and state aid not restricted to specific purpose	47,962,402
Interest and investment earnings	194,282
Miscellaneous	6,957,902
Total general revenues	73,433,512
Change in net assets	18,120,338
Net assets - July 1, 2009	116,430,462
Net assets - June 30, 2010	$ 134,550,800

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

PITTSBURG UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2010

	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 9,075,993	$ 18,307,593	$ 34,493,393	$ 9,324,930	$ 8,062,908	$ 79,264,817
Investments	1,238,182	1,076,815	-	-	-	2,314,997
Accounts receivable	12,901,963	-	-	-	892,252	13,794,215
Due from other funds	2,000,000	-	-	60,963	9,314,159	11,375,122
Inventories	-	-	-	-	59,980	59,980
Total assets	$ 25,216,138	$ 19,384,408	$ 34,493,393	$ 9,385,893	$ 18,329,299	$ 106,809,131
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 1,261,089	$ 1,252,681	$ 25,250	$ 22,238	$ 210,747	$ 2,772,005
Due to other funds	352,823	-	2,000,000	9,022,299	-	11,375,122
Deferred revenue	1,974,125	-	-	-	1,619	1,975,744
Current loans	9,000,000	-	-	-	-	9,000,000
Total liabilities	12,588,037	1,252,681	2,025,250	9,044,537	212,366	25,122,871
FUND BALANCES						
Reserved for:						
Inventories	-	-	-	-	59,980	59,980
Revolving cash	25,000	-	-	-	5,000	30,000
Debt service	-	-	-	-	4,885,114	4,885,114
Categorical programs	3,676,406	-	-	-	-	3,676,406
Unreserved; reported in:						
General fund	8,926,695	-	-	-	-	8,926,695
Special revenue funds	-	-	-	-	3,806,262	3,806,262
Capital project funds	-	18,131,727	32,468,143	341,356	9,360,577	60,301,803
Total fund balances	12,628,101	18,131,727	32,468,143	341,356	18,116,933	81,686,260
Total liabilities and fund balances	$ 25,216,138	$ 19,384,408	$ 34,493,393	$ 9,385,893	$ 18,329,299	$ 106,809,131

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

PITTSBURG UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2010

Total fund balances - governmental funds			$ 81,686,260
Amounts reported for governmental *activities* in the statement of net assets are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the capital assets is $299,385,568 and the accumulated depreciation is ($91,829,699).			207,555,869
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:			(2,821,054)
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in assets on the government-wide statement of net assets are:			2,097,009
In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
	Compensated absences payable	$ 611,699	
	Certificates of participation payable	43,775,000	
	General obligation bonds payable	107,792,437	
	Other postemployment benefits	1,788,148	(153,967,284)
Total net assets - governmental activities			$ 134,550,800

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

PITTSBURG UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
General revenues:						
Property taxes	$ 7,872,652	$ -	$ 2,855,572	$ -	$ 7,590,704	$ 18,318,928
Federal and state aid not restricted to specific purpose	47,962,402	-	-	-	-	47,962,402
Interest and investment earnings	26,607	131,192	19,718	-	16,764	194,281
Miscellaneous	634,323	6,198,240	129,089	-	(3,750)	6,957,902
Program revenues:						
Charges for services	263,585	-	-	-	235,002	498,587
Operating grants and contributions	18,424,222	-	-	-	5,616,941	24,041,163
Capital grants and contributions	-	-	-	20,148,637	-	20,148,637
Total revenues	75,183,791	6,329,432	3,004,379	20,148,637	13,455,661	118,121,900
EXPENDITURES						
Instructional services:						
Instruction	47,533,744	-	-	-	2,721,956	50,255,700
Instruction-related services:						
Supervision of instruction	2,191,464	-	-	-	113	2,191,577
Instructional library, media and technology	574,490	-	-	-	-	574,490
School site administration	5,428,267	-	-	-	935,408	6,363,675
Pupil support services:						
Home-to-school transportation	1,447,907	-	-	-	-	1,447,907
Food services	-	-	-	-	3,554,264	3,554,264
All other pupil services	3,449,326	-	-	-	24,968	3,474,294
General administration services:						
Data processing services	684,213	-	-	-	-	684,213
Other general administration	3,029,032	-	-	-	408,447	3,437,479
Plant services	8,918,254	-	6,784,344	-	827,320	16,529,918
Facility acquisition and construction	239,467	23,302,543	141,185	16,847,321	354,085	40,884,601
Ancillary services	247,366	-	-	-	-	247,366
Community services	49,815	-	-	-	-	49,815
Other outgo:						
Transfers between agencies	17,294	-	-	-	-	17,294
Debt service - principal	-	-	929,381	-	2,660,000	3,589,381
Debt service - interest	-	-	829,591	-	4,487,020	5,316,611
Debt service - issuance costs and discounts	-	-	6,047	-	-	6,047
Total expenditures	73,810,639	23,302,543	8,690,548	16,847,321	15,973,581	138,624,632
Excess (deficiency) of revenues over (under) expenditures	1,373,152	(16,973,111)	(5,686,169)	3,301,316	(2,517,920)	(20,502,732)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	2,000,000	7,929,013	1,251,088	60,963	11,245,802	22,486,866
Interfund transfers out	(2,584,467)	-	(2,000,000)	(16,951,311)	(1,251,088)	(22,786,866)
Proceeds from long-term debt	-	-	33,247,960	-	-	33,247,960
Total other financing sources and uses	(584,467)	7,929,013	32,499,048	(16,890,348)	9,994,714	32,947,960
Net change in fund balances	788,685	(9,044,098)	26,812,879	(13,589,032)	7,476,794	12,445,228
Fund balances, July 1, 2009	11,839,416	27,175,825	5,655,264	13,930,388	10,640,139	69,241,032
Fund balances, June 30, 2010	$ 12,628,101	$ 18,131,727	$ 32,468,143	$ 341,356	$ 18,116,933	$ 81,686,260

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

PITTSBURG UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2010

Total net change in fund balances - governmental funds		$ 12,445,228
Amounts reported for governmental *activities* in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay	$ 42,892,163	
Depreciation expense	(3,897,987)	38,994,176
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 a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		3,640,000
Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:		25,372
In governmental funds, postretirement benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postretirement benefits costs are recognized in the period that they are incurred. This year, the difference between OPEB costs and actual employer contributions was:		(1,058,516)
Debt proceeds: In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increase to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:		(34,271,653)
Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period was:		809,037
Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:		(789,794)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:		(1,245,117)
In the statement of activities, compensated absences are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*).		(428,395)
Change in net assets of governmental activities		$ 18,120,338

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

PITTSBURG UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Assets – Fiduciary Funds
June 30, 2010

	Trust Funds		Agency Funds	
	Retiree Benefits Fund	Scholarship Fund	Student Body Funds	Total
ASSETS				
Cash	$ 300,851	$ 43,148	$ 401,234	$ 745,233
Investments	-	65,892	-	65,892
Total assets	300,851	109,040	$ 401,234	811,125
LIABILITIES				
Due to student groups	-	-	$ 401,234	401,234
Total liabilities	-	-	$ 401,234	401,234
NET ASSETS	$ 300,851	$ 109,040		$ 409,891

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

PITTSBURG UNIFIED SCHOOL DISTRICT
Statement of Change in Net Assets – Fiduciary Funds
For the Fiscal Year Ended June 30, 2010

	Trust Funds	
	Retiree Benefits Fund	Scholarship Fund
ADDITIONS		
Interest	$ 851	$ -
Operating grants and contributions	-	17,199
Transfer in from other funds	300,000	-
Total additions	300,851	17,199
DEDUCTIONS		
Operating expenditures	300,000	21,866
Total deductions	300,000	21,866
Change in net assets	851	(4,667)
Net assets held in trust - July 1, 2009	300,000	113,707
Net assets held in trust - June 30, 2010	$ 300,851	$ 109,040

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

Pittsburg Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The 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).

B. Reporting Entity

The District and Pittsburg Unified School District Financing Corporation ("the Corporation") have a financial and operational relationship which meet the reporting entity definition criteria of the GASB Statement No. 14, "*The Financial Reporting Entity*", for inclusion of the Corporation as a component unit of the District. Therefore, the financial activities of the Corporation have been included in the financial statements of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. In addition, component units are other legally separate organizations for which the District is not financially accountable, but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities.

The Corporation was formed in March 1994, pursuant to the general California nonprofit corporation laws, to provide financial assistance to the District for construction and acquisition of major capital facilities. Certificates of Participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. At the end of the lease term, title of all Corporate property will pass to the District for no additional consideration.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Reporting Entity (continued)

The following are those aspects of the relationship between the District and the Facilities District with satisfy GASB Statement No. 14, as amended by GASB Statement No. 39, criteria:

1. Manifestation of Oversight

   - The Corporation's Board of Directors was appointed by the District's Governing Board. The Corporation has no employees. The District's Assistant Superintendent of Business Services functions as the agent of the Corporation. This individual receives no additional compensation for work performed in this capacity.

2. Accounting for Fiscal Matters

   a. The District is able to impose its will upon the Corporation, based on the following:
      - All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.
      - The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be the sole lessee of all facilities owned by the Corporation.

   b. The Corporation provides specific financial benefits or imposes specific financial burdens on the District based upon the following:
      - Any deficits incurred by the Corporation will be reflected in the lease payments of the District.
      - Any surpluses of the Corporation revert to the District at the end of the lease period.
      - The District has assumed a "moral obligation", and potentially a legal obligation, on any debt incurred by the Corporation.

C. Scope of Public Service and Financial Presentation

   - The Corporation was formed for the sole purpose of providing financing assistance to the District for construction and acquisition of major capital facilities. Upon completion, the District intends to occupy all Corporation facilities under a lease-purchase agreement effective through the year 2024.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation

Government-wide Financial Statements:

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.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets and Statement of Activities have been eliminated, including due to/from other funds and transfers in/out.

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 meet the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

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

Fiduciary funds are reported using the economic resources measurement focus. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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 and are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

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.

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 services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

E. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, 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. 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:

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Major Governmental Funds:

- The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.
- The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.
- The *County School Facilities Fund* is used to account for state apportionments provided for modernization of school facilities under SB50.

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. The *Adult Education Fund* is used to account for resources committed to adult education programs maintained by the District.
  2. The *Child Development Fund* is used to account for resources committed to child development programs maintained by the district
  3. The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service operations.
  4. The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of District property.

- *Capital Projects Funds* are used to account for the acquisition and/or construction of major governmental general fixed assets. The District maintains one non-major capital project fund:

  1. The *Special Reserve for Capital Outlay Fund* is used to account for funds set aside for capital outlay projects.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

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

  1. The *Bond Interest and Redemption Fund* is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.
  2. The *Debt Service Fund* is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt.

Fiduciary Funds:

- *Agency Funds* are used to account for assets of others for which the District acts as an agent. 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.

- *Trust Funds* are used to account for assets held by the District as trustee. The District maintains two trust funds, the Scholarship fund and Retiree Benefit Fund, which are used to provide financial assistance to students and retiree's of the District

F. Budgets and Budgetary Accounting

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Encumbrances

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

H. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

2. Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure."

3. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $5,000. The District does not own any infrastructure as defined in GASB No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

3. Capital Assets (continued)

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

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 cash received on specific projects and programs exceed qualified expenditures.

5. Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability on the government-wide statement of net assets as the benefits are earned. For governmental funds, unpaid compensated absences are recognized as a fund liability only upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are recorded as accounts payable in the fund from which the employees who have accumulated leave are paid.

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 because 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

6. Long-Term Obligations

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

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

7. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate portions of the fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors, or laws or regulations of other governments.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

I. 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 alternative method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

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

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

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

J. Use of Estimates

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

K. New GASB Pronouncement

GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* was issued in February 2009. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is required to be implemented in the 2010-11 fiscal year.

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NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

	Governmental Funds	Fiduciary Funds
Cash in county treasury	$ 51,290,729	$ 343,999
Cash on hand and in banks	5,107	401,234
Cash with fiscal agent	27,938,981	-
Cash in revolving fund	30,000	-
Total cash and cash equivalents	$ 79,264,817	$ 745,233
LAIF investment	$ 2,314,997	$ 65,892

Policies and Practices

Governmental agencies in the state of California are authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of the applicable agreements rather than the general provisions of the California Government Code.

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

NOTE 2 – CASH AND INVESTMENTS (continued)

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the investment policy:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

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

Investments- The investments are held with the Local Agency Investment Fund (LAIF). The program is offered to local agencies and is also part of the Pooled Money Investment Account (PMIA). The investment has a fair market value of $2,384,803 and an amortized book value of $2,380,889.

NOTE 2 – CASH AND INVESTMENTS (continued)

Cash with Fiscal Agent

Cash with Fiscal Agent represents $1,156,776 in the Debt Service Fund held by US Bank and Union Bank and restricted for repayment of COPs, while the remaining balance of $26,782,205 in the Capital Facilities Fund is held by US Bank and restricted for construction costs of various capital improvements.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Contra Costa County Investment Pool with a fair value of approximately $51,731,772 and an amortized book value of $51,634,728. The average weighted maturity for this pool is 122 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Contra Costa County Investment Pool is rated at least A by Standard & Poor's.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2010, the District's bank balance was not exposed to custodial credit risk, because the first $250,000 deposited per bank was covered under the FDIC insurance limit, and the remaining amount was collateralized with securities held by the pledging financial institution's trust department or agency.

NOTE 2 – CASH AND INVESTMENTS (continued)

Concentration of Credit Risk

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

NOTE 3 – ACCOUNTS RECEIVABLE

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

	Governmental Funds
Federal	$ 1,662,343
State categorical	3,094,278
Other	9,037,594
Total accounts receivable	$ 13,794,215

NOTE 4 – INTERFUND TRANSACTIONS

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

A. Due From/Due To Other Funds

Individual interfund receivable and payable balances as of June 30, 2010 are as follows:

	Due To Other Funds			
	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 60,963	$ 291,860	$ 352,823
Capital Facilities Fund	2,000,000	-		2,000,000
County School Facilities Fund	-	-	9,022,299	9,022,299
Total	$ 2,000,000	$ 60,963	$ 9,314,159	$ 11,375,122

Due from the General Fund to the County School Facilities Fund for special technology projects.	$ 60,963
Due from the General Fund to the Child Development Fund for encroachment on the General Fund.	291,860
Due from the Capital Facilities Fund to the General Fund to transfer redevelopment agencies general operations.	2,000,000
Due from the County School Facilities Fund to the Special Reserve Fund for Capital Outlay Projects to transfer excess bond money.	9,022,299
Total	$ 11,375,122

NOTE 4 – INTERFUND TRANSACTIONS (continued)

B. Interfund Transfers

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

Interfund transfers for the 2009-10 fiscal year are as follows:

	Transfers to Other Funds						
	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Retiree Benefits Funds	Total
General Fund	$ -	$ -	$ -	$ 60,963	$ 2,223,504	$ 300,000	$ 2,584,467
Capital Facilities Fund	2,000,000	-	-	-	-	-	2,000,000
County School Facilities Fund	-	7,929,013	-	-	9,022,298	-	16,951,311
Other Governmental Funds	-	-	1,251,088	-	-	-	1,251,088
Total	$ 2,000,000	$ 7,929,013	$ 1,251,088	$ 60,963	$ 11,245,802	$ 300,000	$ 22,786,866

Transfer from the General Fund to the Adult Education Fund for categorical flexibity.	$ 1,931,644
Transfer from the General Fund to the Child Development Fund for encroachment on the General Fund.	291,860
Transfer from the General Fund to the County School Facilities Fund for special technology projects.	60,963
Transfer from the General Fund to the Retiree Benefit Trust Fund for retiree benefits.	300,000
Transfer from the Capital Facilities Fund to the General Fund to transfer redevelopment agencies general operations.	2,000,000
Transfer from the Debt Service Fund to the Capital Facilities Fund to transfer redevelopment fees to make the COP payment.	1,251,088
Transfer from the County School Facilities Fund to the Building Fund to obtaine moneies for the CTE grants.	7,929,013
Transfer from the County School Facilities Fund to the Special Reserve Fund for Capital Outlay Projects for excess bond money.	9,022,298
Total	$ 22,786,866

NOTE 5 – FUND BALANCES

The following fund balance amounts were designated by the District's governing board as of June 30, 2010, as follows:

	General Fund
Economic uncertainties	$ 2,214,657
Tier III carryover	380,672
API carryover by sites	46,817
CCCSIG carryover	8,674
Parcel tax	267,455
Adult carryover	184,831
Total designations	$ 3,103,106

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Beginning Balance July 1, 2009	Additions	Deletions	Ending Balance June 30, 2010
Land	$ 1,785,563	$ -	$ -	$ 1,785,563
Site improvements	19,290,881	-	-	19,290,881
Buildings	137,648,725	65,917,760	705,549	202,860,936
Furniture and equipment	4,246,350	1,925,462	250,929	5,920,883
Construction in progress	94,478,364	39,093,944	64,045,003	69,527,305
Total at historical cost	257,449,883	106,937,166	65,001,481	299,385,568
Less accumulated depreciation:				
Site improvements	16,020,402	1,007,323	-	17,027,725
Buildings	69,018,579	1,214,487	3,786	70,229,280
Furniture and equipment	3,059,415	1,676,177	162,898	4,572,694
Total accumulated depreciation	88,098,396	3,897,987	166,684	91,829,699
Total capital assets, net	$ 169,351,487	$ 103,039,179	$ 64,834,797	$ 207,555,869

NOTE 7 – GENERAL LONG-TERM DEBT

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

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Amounts Due Within One Year
Compensated absences payable	$ 183,304	$ 428,395	$ -	$ 611,699	$ -
Certificates of participation payable	10,800,000	33,895,000	920,000	43,775,000	605,000
General obligation bonds payable	109,400,000	6,810,000	9,530,000	106,680,000	2,425,000
Unamortized premiums on long-term debt	761,156	376,653	25,372	1,112,437	54,345
Other postemployment benefits	729,632	1,058,516	-	1,788,148	-
Total long-term debt	$ 121,874,092	$ 42,568,564	$ 10,475,372	$ 153,967,284	$ 3,084,345

A. General Obligation Bonds

A summary of the District's bonded indebtedness is shown below:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2009	Additions	Deletions	Outstanding June 30, 2010	Due Within One Year
February 1, 1999	4.00% - 7.00%	August 1, 2023 *	$ 10,000,000	$ 7,620,000	$ -	$ 7,235,000	$ 385,000	$ 385,000
August 13, 2003	3.50% - 4.50%	August 1, 2022	8,825,000	7,110,000	-	450,000	6,660,000	465,000
March 9, 2005	3.50% - 12.00%	August 1, 2029	17,100,000	15,975,000	-	175,000	15,800,000	230,000
August 30, 2005	3.40% - 4.375%	August 1, 2024	8,565,000	8,020,000	-	405,000	7,615,000	420,000
June 8, 2006	4.00% - 6.00%	August 1, 2030	13,350,000	12,755,000	-	105,000	12,650,000	125,000
September 26, 2007	4.00% - 8.00%	August 1, 2032	10,050,000	10,000,000	-	240,000	9,760,000	250,000
September 26, 2007	4.00% - 8.00%	August 1, 2032	15,000,000	12,920,000	-	920,000	12,000,000	350,000
March 12, 2009	2.50% - 5.00%	August 1, 2039	35,000,000	35,000,000	-	-	35,000,000	140,000
February 24, 2010	2.00% - 5.00%	August 1, 2023	6,810,000	-	6,810,000	-	6,810,000	60,000
			$ 124,700,000	$ 109,400,000	$ 6,810,000	$ 9,530,000	$ 106,680,000	$ 2,425,000

** Maturity date changed to August 1, 2010 due to the refunding bond issued February 24, 2010.*

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize the general obligation bonds payable are as follows:

1999 General Obligation Bonds

In 1999, the District issued $10,000,000 of General Obligation Bonds. The Bonds require annual principal payments through August 2010, plus interest. Annual interest rates for these General Obligation Bonds range from 4.00% to 7.00%. The Bonds were refunded using the 2010 Bond issuance of $6,810,000. The Bonds mature as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	$ 385,000	$ 7,941	$ 392,941
Total	$ 385,000	$ 7,941	$ 392,941

2003 General Obligation Bonds

In 2003, the District issued $8,825,000 of General Obligation Bonds. The Bonds require annual principal payments through August 2022, plus interest. Annual interest rates for these General Obligation Bonds range from 3.50% to 4.50%. The Bonds matures as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	$ 465,000	$ 260,060	$ 725,060
2012	485,000	242,829	727,829
2013	505,000	224,266	729,266
2014	525,000	204,954	729,954
2015	545,000	184,483	729,483
2016-2020	3,085,000	566,493	3,651,493
2021-2023	1,050,000	39,025	1,089,025
Total	$ 6,660,000	$ 1,722,110	$ 8,382,110

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2005 General Obligation Bonds

In 2005, the District issued $17,100,000 of General Obligation Bonds. The Bonds require annual principal payments through August 2029, plus interest. Annual interest rates for these General Obligation Bonds range from 3.50% to 12.00%. The Bonds mature as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	$ 230,000	$ 686,044	$ 916,044
2012	285,000	666,156	951,156
2013	330,000	646,394	976,394
2014	370,000	630,844	1,000,844
2015	420,000	616,704	1,036,704
2016-2020	2,915,000	2,783,819	5,698,819
2021-2025	4,530,000	2,020,444	6,550,444
2026-2030	6,720,000	799,324	7,519,324
Total	$ 15,800,000	$ 8,849,729	$ 24,649,729

2005 General Obligation Bonds

In 2005, the District issued $8,565,000 of General Obligation Refunding Bonds. Of this amount, $8,387,151 was placed into an escrow account to advance refund the remaining $3,995,000 of the 1998 General Obligation Bonds and $4,050,000 of the 2000 General Obligation Bonds. The 2005 General Obligation Refunding Bonds require annual principal payments through August 2024, plus interest. Annual interest rates for these General Obligation Bonds range from 3.40% to 4.375%. The Bonds mature as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	$ 420,000	$ 290,175	$ 710,175
2012	435,000	274,144	709,144
2013	455,000	257,456	712,456
2014	470,000	240,935	710,935
2015	485,000	224,458	709,458
2016-2020	2,745,000	766,853	3,511,853
2021-2025	2,605,000	237,581	2,842,581
Total	$ 7,615,000	$ 2,291,602	$ 9,906,602

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2006 General Obligation Bonds

In 2006, the District issued $13,350,000 of General Obligation Bonds. The Bonds require annual principal payments through August 2030, plus interest. Annual interest rates for these General Obligation Bonds range from 4.00% to 6.00%. The Bonds mature as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	$ 125,000	$ 582,971	$ 707,971
2012	150,000	574,721	724,721
2013	180,000	564,821	744,821
2014	220,000	553,921	773,921
2015	250,000	542,171	792,171
2016-2020	1,895,000	2,485,403	4,380,403
2021-2025	3,385,000	1,908,456	5,293,456
2026-2030	5,120,000	934,030	6,054,030
2031	1,325,000	30,475	1,355,475
Total	$ 12,650,000	$ 8,176,969	$ 20,826,969

2008 General Obligation Bonds

In 2008, the District issued $10,050,000 of General Obligation Bonds. The Bonds require annual principal payments through August 2032, plus interest. Annual interest rates for these General Obligation Bonds range from 4.00% to 8.00%. The Bonds mature as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	$ 250,000	$ 434,234	$ 684,234
2012	280,000	414,434	694,434
2013	280,000	398,684	678,684
2014	295,000	386,465	681,465
2015	305,000	373,715	678,715
2016-2020	1,735,000	1,664,069	3,399,069
2021-2025	2,100,000	1,271,966	3,371,966
2026-2030	2,600,000	759,056	3,359,056
2031-2033	1,915,000	140,095	2,055,095
Total	$ 9,760,000	$ 5,842,718	$ 15,602,718

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2008 General Obligation Bond

In 2008, the District issued $15,000,000 of General Obligation Bonds. The Bonds require annual principal payments through August 2032, plus interest. Annual interest rates for these General Obligation Bonds range from 4.00% to 8.00%. The Bonds mature as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	$ 350,000	$ 533,299	$ 883,299
2012	355,000	506,874	861,874
2013	380,000	486,374	866,374
2014	390,000	470,011	860,011
2015	415,000	452,905	867,905
2016-2020	2,210,000	1,997,450	4,207,450
2021-2025	2,525,000	1,516,591	4,041,591
2026-2030	3,115,000	901,256	4,016,256
2031-2033	2,260,000	164,885	2,424,885
Total	$ 12,000,000	$ 7,029,645	$ 19,029,645

2009 General Obligation Bond

On March 12, 2009, the District issued General Obligation Bonds in the amount of $35,000,000. The Bonds require annual principal payments through August 2039, plus interest. Annual interest rates for these General Obligation Bonds range from 2.5% to 5%. The Bonds matures as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	$ 140,000	$ 1,812,588	$ 1,952,588
2012	455,000	1,803,663	2,258,663
2013	470,000	1,790,963	2,260,963
2014	485,000	1,778,419	2,263,419
2015	490,000	1,761,950	2,251,950
2016-2020	2,915,000	8,470,450	11,385,450
2021-2025	3,855,000	7,662,628	11,517,628
2026-2030	4,850,000	6,630,281	11,480,281
2031-2035	7,975,000	5,032,569	13,007,569
2036-2040	13,365,000	1,961,016	15,326,016
Total	$ 35,000,000	$ 38,704,527	$ 73,704,527

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2010 General Obligation Bond

In fiscal year 2009-10, the District issued $6,810,000 of General Obligation Refunding Bonds. The 2010 General Obligation Refunding Bonds require annual principal payments through August 2023, plus interest. Annual interest rates for these General Obligation Bonds range from 2.0% to 5.0%. The Bonds were sold to refinance the 1995 Election, Series D Bond which was issued in the principal amount of $10,000,000. The Bonds mature as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	$ 60,000	$ 95,463	$ 155,463
2012	425,000	271,550	696,550
2013	430,000	263,050	693,050
2014	445,000	250,150	695,150
2015	460,000	236,800	696,800
2016-2020	2,530,000	936,875	3,466,875
2021-2024	2,460,000	307,500	2,767,500
Total	$ 6,810,000	$ 2,361,388	$ 9,171,388

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

B. Certificates of Participation

A summary of the District's bonded indebtedness is shown below:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2009	Additions	Deletions	Outstanding June 30, 2010	Due Within One Year
June 1, 1997	4.50%	July 1, 2012	$ 1,020,000	$ 340,000	$ -	$ 340,000	$ -	$ -
October 7, 1998	3.75% - 4.70%	August 25, 2024	11,720,000	8,715,000	-	390,000	8,325,000	410,000
January 11, 2001	3.50% - 4.40%	September 1, 2016	3,000,000	1,745,000	-	190,000	1,555,000	195,000
December 10, 2009	3.75% - 6.20%	September 1, 2034	33,895,000	-	33,895,000	-	33,895,000	-
			$ 49,635,000	$ 10,800,000	$ 33,895,000	$ 920,000	$ 43,775,000	$ 605,000

In October 1998 the Pittsburg Unified School District Financing Corporation issued Certificates of Participation in the amount of $11,720,000, with interest rates of 3.75% to 4.40%.

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	$ 410,000	$ 364,328	$ 774,328
2012	425,000	347,415	772,415
2013	440,000	329,463	769,463
2014	460,000	310,333	770,333
2015	475,000	290,052	765,052
2016-2020	2,725,000	1,104,849	3,829,849
2021-2025	3,390,000	403,994	3,793,994
Total	$ 8,325,000	$ 3,150,434	$ 11,475,434

In January 2001 the Pittsburg Unified School District Financing Corporation issued Certificates of Participation in the amount of $3,000,000, with interest rates of 3.50% to 4.40%.

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	$ 195,000	$ 255,428	$ 450,428
2012	205,000	257,653	462,653
2013	215,000	259,355	474,355
2014	220,000	255,518	475,518
2015	230,000	256,150	486,150
2016-2017	490,000	511,660	1,001,660
Total	$ 1,555,000	$ 1,795,764	$ 3,350,764

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

B. Certificates of Participation (continued)

In December 2009 the Pittsburg Unified School District Financing Corporation issued Certificates of Participation in the amount of $33,895,000, with interest rates ranging from 3.75% to 6.2%.

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	$ -	$ 1,336,466	$ 1,336,466
2012	-	1,940,031	1,940,031
2013	-	1,940,031	1,940,031
2014	-	1,940,031	1,940,031
2015	-	1,940,031	1,940,031
2016-2020	5,455,000	9,273,440	14,728,440
2021-2025	6,920,000	7,812,475	14,732,475
2026-2030	9,180,000	5,541,700	14,721,700
2031-2035	12,340,000	2,387,310	14,727,310
Total	$ 33,895,000	$ 34,111,515	$ 68,006,515

NOTE 8 – JOINT VENTURES

The Pittsburg Unified School District participates in two joint powers agreement (JPA) entities, the Contra Costa County Schools Insurance Group (CCCSIG) for workers' compensation insurance, and the Schools' Self Insurance of Contra Costa County (SSICCC) for dental and vision insurance.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the Pittsburg Unified School District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The relationship between the Pittsburg Unified School District and the JPAs are such that none of the three JPAs is a component unit of the District for financial reporting purposes. Condensed financial information, most current available, of the CCCSIG and SSICCC JPAs is shown below:

	CCCSIG June 30, 2010	SSICCC June 30, 2009
Assets	$ 97,277,482	$ 6,518,526
Liabilities	72,699,996	1,008,968
Net assets	$ 24,577,486	$ 5,509,558
Revenues	$ 41,747,625	$ 15,155,408
Expenses	44,207,706	14,438,881
Operating income	(2,460,081)	716,527
Non-operating income	2,378,286	100,028
Change in net assets	$ (81,795)	$ 816,555

NOTE 9 – 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. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

B. Litigation
The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

C. Construction Commitments
As of June 30, 2010, the District had commitments with respect to unfinished capital projects to be paid from Proposition Measure E and Measure J bond funds.

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts, damage to District assets, errors and omissions, employee injuries and natural disasters. The District participates in a public entity risk pool, as described in Note 8, for claims in excess of insured amounts for workers' compensation and liability protection. The District purchases commercial insurance coverage for other types of risk. There have been no significant reductions in insurance coverage from the prior year.

NOTE 11 – EXCESS OF EXPENDITURES OVER FINAL BUDGET

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

General Fund:		
Other outgo	$	1,294

NOTE 12 – EMPLOYEE RETIREMENT PLANS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2009-10 was 9.709%. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2009-10	$ 1,196,747	100%
2008-09	$ 1,124,426	100%
2007-08	$ 1,140,808	100%

NOTE 12 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2009-10 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CAlSTRS for the last three fiscal years were as follows:

	Contribution		Percent of Required Contribution
2009-10	$	2,818,049	100%
2008-09	$	2,878,698	100%
2007-08	$	3,013,647	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $1,457,529 to CalSTRS (4.267% of salaries subject to CalSTRS in 2009-10).

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS

Pittsburg Unified School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2008-09.

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits	132
Active plan members	798
Total	930
Number of participating employers	1

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the District's Governing Board.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (continued)

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	Amount
Annual required contribution (ARC)	$ 1,627,527
Interest on net OPEB obligation	36,482
Adjustment to ARC	(48,189)
Annual OPEB cost	1,615,820
Contributions made	557,304
Increase in net OPEB obligation	1,058,516
Net OPEB obligation - July 1, 2009	729,632
Net OPEB obligation - June 30, 2010	$ 1,788,148

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

Year Ended June 30,	Annual OPEB Costs	Percentage Contributed	Net OPEB Obligation
2009	$ 1,627,527	45%	$ 729,632
2010	$ 1,615,820	34%	$ 1,788,148

Funded Status and Funding Progress – OPEB Plans

As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was $13.7 million and the unfunded actuarial accrued liability (UAAL) was $13.4 million.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Funded Status and Funding Progress – OPEB Plans (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated 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.

Additional information as of the latest actuarial valuation follows:

Valuation Date	October 7, 2009
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	29 years
Asset Valuation	Unsmoothed market value basis
Actuarial Assumptions:	
Investment rate of return	5.0%
Healthcare cost trend rates	4.0%

NOTE 14 – PARCEL TAX

Parcel Tax – Measure C

On November 2, 2008, 72% of voters of the District approved an annual special parcel tax for seven years at $65 per taxable parcel with an inflation adjustment of $6 per year. To purpose of the parcel tax is to "expand student access to technology and computers, college preparatory, honors and advanced placement classes, avoid increased class sizes, maintain essential programs and materials, keep classes small in the early grades, and attract and retain highly qualified teachers."

NOTE 15 – TAX ANTICIPATION REVENUE NOTES

In 2009-10, the District issued $9,000,000 in Tax and Revenue Anticipation Notes (TRANS) with a yield of 0.9% and interest rate of 2%. The notes mature on February 1, 2011. The TRANS were issued to supplement cash flows. Repayment requirements are that certain amounts are deposited in a special fund. The monies are required to remain on deposit until the maturity date of the note, at which time they are applied to pay the principal and interest on the notes.

NOTE 16 – SUBSEQUENT EVENTS

General Obligation Bonds

During the Election of November 2, 2010, the voters of the City of Pittsburg approved the District to issue $100,000,000 of Measure L General Obligation Bonds. The bonds will be used to provide safe, modern neighborhood schools with updated computer technology, upgrade energy systems, including solar, reduce cost, improving student learning by acquiring, upgrading, constructing, equipping classrooms, science and computer labs, and school facilities, replace aging roofs, plumbing, heating, ventilation, electrical systems, improve fire alarms, school security, and earthquake safety.

Certificates of Participation

Subsequent to June 30, 2010, the District issued $20,510,000 of certificates of participation. The funds will be used to finance solar energy projects throughout the District. The certificates of participation have interest rates ranging from 3.0% - 5.0%

Required Supplementary Information

PITTSBURG UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
REVENUES				
Revenue limit sources	$ 48,352,248	$ 46,219,397	$ 45,963,009	$ (256,388)
Federal	9,203,669	12,158,738	7,958,970	(4,199,768)
Other state	13,308,198	16,636,646	15,912,597	(724,049)
Other local	4,261,753	4,644,802	5,349,215	704,413
Total revenues	75,125,868	79,659,583	75,183,791	(4,475,792)
EXPENDITURES				
Certificated salaries	33,414,896	35,931,333	33,727,632	2,203,701
Classified salaries	9,907,589	10,708,733	10,637,772	70,961
Employee benefits	15,277,778	16,123,756	15,522,756	601,000
Books and supplies	5,546,437	5,668,077	2,594,960	3,073,117
Services and other operating expenditures	12,460,745	13,231,812	11,426,066	1,805,746
Capital outlay	284,889	327,126	292,606	34,520
Transfers of indirect costs	(397,291)	(397,291)	(408,447)	11,156
Other outgo	16,000	16,000	17,294	(1,294)
Total expenditures	76,511,043	81,609,546	73,810,639	7,798,907
Excess (deficiency) of revenues over (under) expenditures	(1,385,175)	(1,949,963)	1,373,152	3,323,115
OTHER FINANCING SOURCES AND USES				
Interfund transfers in	2,000,000	2,000,000	2,000,000	-
Interfund transfers out	(300,000)	(2,584,842)	(2,584,467)	375
Total other financing sources and uses	1,700,000	(584,842)	(584,467)	375
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	314,825	(2,534,805)	788,685	3,323,490
Fund balances, July 1, 2009	11,839,416	11,839,416	11,839,416	-
Fund balances, June 30, 2010	$ 12,154,241	$ 9,304,611	$ 12,628,101	$ 3,323,490

PITTSBURG UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2010

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/7/2009	$ 300,000	$ 13,719,382	$ 13,419,382	2%	$ 48,440,232	28%

Supplementary Information Section

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PITTSBURG UNIFIED SCHOOL DISTRICT
Combining Balance Sheet – All Non-Major Funds
June 30, 2010

	Adult Education Fund	Child Development Fund	Cafeteria Special Revenue Fund	Deferred Maintenance Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
ASSETS								
Cash and cash equivalents	$ 1,404,029	$ -	$ 383,299	$ 1,052,187	$ 338,279	$ 4,885,114	$ -	$ 8,062,908
Accounts receivable	309,379	29,206	553,667	-	-	-	-	892,252
Due from other funds	-	291,861	-	-	9,022,298	-	-	9,314,159
Inventories	-	-	59,980	-	-	-	-	59,980
Total assets	$ 1,713,408	$ 321,067	$ 996,946	$ 1,052,187	$ 9,360,577	$ 4,885,114	$ -	$ 18,329,299
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	$ 28,616	$ 145,694	$ 36,437	$ -	$ -	$ -	$ -	$ 210,747
Deferred revenue	-	1,619	-	-	-	-	-	1,619
Total liabilities	28,616	147,313	36,437	-	-	-	-	212,366
FUND BALANCES								
Reserved for:								
Inventories	-	-	59,980	-	-	-	-	59,980
Revolving cash	5,000	-	-	-	-	-	-	5,000
Debt service	-	-	-	-	-	4,885,114	-	4,885,114
Unreserved:								
Special revenue funds	1,679,792	173,754	900,529	1,052,187	-	-	-	3,806,262
Capital project funds	-	-	-	-	9,360,577	-	-	9,360,577
Total fund balances	1,684,792	173,754	960,509	1,052,187	9,360,577	4,885,114	-	18,116,933
Total liabilities and fund balances	$ 1,713,408	$ 321,067	$ 996,946	$ 1,052,187	$ 9,360,577	$ 4,885,114	$ -	$ 18,329,299

PITTSBURG UNIFIED SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Change in Fund Balances – All Non-Major Funds
For the Fiscal Year Ended June 30, 2010

	Adult Education Fund	Child Development Fund	Cafeteria Special Revenue Fund	Deferred Maintenance Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
REVENUES								
General revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ 7,590,704	$ -	$ 7,590,704
Interest and investment earnings	3,373	-	-	4,208	-	9,183	-	16,764
Miscellaneous	-	-	-	-	-	-	-	-
Program revenues:								
Charges for services	-	17,690	217,312	-	-	-	-	235,002
Operating grants and contributions	391,588	1,487,084	3,737,104	-	1,165	-	-	5,616,941
Total revenues	394,961	1,504,774	3,954,416	4,208	1,165	7,599,887	-	13,459,411
EXPENDITURES								
Instructional services:								
Instruction	1,644,371	1,081,335	-	-	-	-	-	2,725,706
Instruction-related services:								
Supervision of instruction	113	-	-	-	-	-	-	113
School site administration	623,163	312,245	-	-	-	-	-	935,408
Pupil support services:								
Food services	-	43,371	3,510,893	-	-	-	-	3,554,264
All other pupil services	24,894	74	-	-	-	-	-	24,968
General administration services:								
Other general administration	206,048	61,721	140,678	-	-	-	-	408,447
Plant services	323,350	117,737	50,838	335,395	-	-	-	827,320
Facility acquisition and construction	353,684	-	-	401	-	-	-	354,085
Other outgo:								
Debt service - principal	-	-	-	-	-	2,660,000	-	2,660,000
Debt service - interest	-	-	-	-	-	4,487,020	-	4,487,020
Total expenditures	3,175,623	1,616,483	3,702,409	335,796	-	7,147,020	-	15,977,331
Excess (deficiency) of revenues over (under) expenditures	(2,780,662)	(111,709)	252,007	(331,588)	1,165	452,867	-	(2,517,920)
OTHER FINANCING SOURCES (USES)								
Interfund transfers in	1,931,643	291,861	-	-	9,022,298	-	-	11,245,802
Interfund transfers out	-	-	-	-	-	-	(1,251,088)	(1,251,088)
Total other financing sources and uses	1,931,643	291,861	-	-	9,022,298	-	(1,251,088)	9,994,714
Net change in fund balances	(849,019)	180,152	252,007	(331,588)	9,023,463	452,867	(1,251,088)	7,476,794
Fund balances, July 1, 2009	2,533,811	(6,398)	708,502	1,383,775	337,114	4,432,247	1,251,088	10,640,139
Fund balances, June 30, 2010	$ 1,684,792	$ 173,754	$ 960,509	$ 1,052,187	$ 9,360,577	$ 4,885,114	$ -	$ 18,116,933

PITTSBURG UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2010

The Pittsburg Unified School District was established in 1933, and is located in Contra Costa County. There were no changes in the boundaries of the District during the current year. The District is currently operating eight elementary schools, two middle schools, one high school and one continuation high school.

GOVERNING BOARD

Member	Office	Term Expires
Mr. Vincent Ferrante	President	November 2010
Mr. Percy McGee	Vice President	November 2010
Mr. Joseph Arenivar	Trustee	November 2010
Dr. William Wong	Trustee	November 2010
Dr. Laura Canciamilla	Trustee	November 2012

DISTRICT ADMINISTRATORS

Ms. Barbara Wilson *
Superintendent

Ms. Linda Rondeau **
Assistant Superintendent of Educational Services

Ms. Dorothy Epps
Assistant Superintendent of Personnel Services

Mr. Enrique Palacios
Associate Superintendent of Business Services

Ms. Cecile Nunley ***
Finance Director

** Ms. Linda Rondeau became Superintendent effective July 1, 2010*
*** Mr. Abe Doctolero became Assistant Superintendent of Education Services effectively July 1, 2010*
**** Ms. Sonya Marturano became Finance Director effectively December 1, 2010.*

PITTSBURG UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2010

	Second Period Report	Second Period Report After Audit Finding Adjustments	Annual Report	Annual Report After Audit Finding Adjustments
Elementary:				
Kindergarten	681	681	685	685
Grades 1 through 3, regular classes	2,308	2,308	2,307	2,307
Grades 4 through 6, regular classes	2,143	2,143	2,141	2,141
Grades 7 and 8, regular classes	1,323	1,323	1,318	1,318
Opportunity schools and full-day opportunity classes	12	12	15	15
Home and hospital	2	2	2	2
Special education	176	176	194	194
Total Elementary	6,645	6,645	6,662	6,662
Secondary:				
Grades 9 through 12, regular classes	2,096	2,096	2,069	2,069
Continuation education	151	157	154	154
Opportunity schools and full-day opportunity classes	25	25	19	19
Home and hospital	5	5	5	5
Special education	151	151	148	148
Total Secondary	2,428	2,434	2,395	2,395
Total Average Daily Attendance	9,073	9,079	9,057	9,057

See accompanying note to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2010

Grade Level	1982-83 Actual Minutes	1982-83 Reduced Minutes	1986-87 Minutes Requirement	1986-87 Reduced Minutes	2009-10 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	31,500	30,625	36,000	35,000	37,800	180	Complied
Grade 1	48,230	46,890	50,400	49,000	53,100	180	Complied
Grade 2	48,230	46,890	50,400	49,000	53,100	180	Complied
Grade 3	48,230	46,890	50,400	49,000	53,100	180	Complied
Grade 4	51,030	49,613	54,000	52,500	53,480	180	Complied
Grade 5	51,030	49,613	54,000	52,500	53,480	180	Complied
Grade 6	56,464	54,896	54,000	52,500	59,406	180	Complied
Grade 7	56,464	54,896	54,000	52,500	59,406	180	Complied
Grade 8	56,464	54,896	54,000	52,500	59,406	180	Complied
Grade 9	57,580	55,981	64,800	63,000	66,098	180	Complied
Grade 10	57,580	55,981	64,800	63,000	66,098	180	Complied
Grade 11	57,580	55,981	64,800	63,000	66,098	180	Complied
Grade 12	57,580	55,981	64,800	63,000	66,098	180	Complied

PITTSBURG UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2010

General Fund	(Budget) 2011**	2010	2009	2008
Revenues and other financing sources	$ 72,820,503	$ 77,183,791	$ 78,691,076	$ 77,189,993
Expenditures	72,347,122	73,810,639	75,783,260	75,871,511
Other uses and transfers out	1,897,766	2,584,467	306,289	-
Total outgo	74,244,888	76,395,106	76,089,549	75,871,511
Change in fund balance (deficit)	(1,424,385)	788,685	2,601,527	1,318,482
Ending fund balance	$ 11,203,716	$ 12,628,101	$ 11,839,416	$ 9,237,889
Available reserves*	$ 7,256,914	$ 8,038,247	$ 6,813,188	$ 2,693,372
Available reserves as a percentage of total outgo	10%	11%	9%	4%
Total long-term debt	$ 150,882,939	$ 153,967,284	$ 121,874,092	$ 91,754,197
Average daily attendance at P-2	9,024	9,079	9,030	8,847

The General Fund balance has increased by $3,390,212 over the past two years. The fiscal year 2010-11 adopted budget projects a decrease of $1,424,385. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo). ABX4 2 reduced the 3% reserve requirement by one-third for the 2009-10 year. Long-term debt has increased $62,213,087 over the past two years.

* Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty in the General Fund.

** Revised Final Budget, September 2010.

PITTSBURG UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S. Department of Agriculture:			
Passed through California Dept. of Education (CDE):			
National School Lunch	10.555	13396	$ 2,610,822
Basic School Breakfast	10.553	13390	60,887
Especially Needy Breakfast	10.553	13526	633,579
Meal Supplements	10.557	N/A	135,384
Summers Food Service Program	10.559	13004	54,968
USDA Commodities	10.565	13389	114,650
Total U.S. Department of Agriculture			3,610,290
U.S. Department of Education:			
Passed through California Dept. of Education (CDE):			
No Child Left Behind Act (NCLB):			
Title I, Part A - Basic Grants Low-Income and Neglected	84.010	14329	1,847,816
ARRA - Title I Grants to Local Education Agencies, Recovery Act	84.389	15005	921,649
Title I, Part A - Program Improvement	84.010	15123	2,819
Title I, Part B - Reading First Program	84.357	14787	18,317
Title II, Part A - Improving Teacher Quality	84.367	14341	427,328
Title II, Part D - Enhancing Education Through Technology, Formula Grants	84.318	14334	22,694
Title III - Immigrant Education Program	84.365	14346	2,617
Title III - Limited English Proficient Student Programs	84.365	10084	166,702
Title IV, Part A - Safe and Drug Free Schools & Communities	84.186	14347	20,241
Title V, Part A - Innovative Eduction Strategies	84.298A	14354	16,159
ARRA - State Fiscal Stabilization Fund (SFSF), Recovery Act	84.394	25008	4,074,923
Department of Rehabilitation, Workability II, Transition Partnership	84.158	10006	137,557
Vocational Programs (Carl Perkins Act)	84.048	13923	14,368
Vocational Education: Voc & Applied Tech Secondary II C	84.048	13924	94,816
Adult Basic Education and ESL	84.002A	14508	131,069
Adult Secondary Education	84.002	13978	15,838
Advanced Placement Incentive Program	84.330C	N/A	3,796
English Literacy & Civics Education	84.002A	14109	84,190
Special Education Cluster (IDEA):			
Basic Local Assistance Entitlement	84.027	13379	1,268,675
ARRA - Basic Local Assistance Entitlement, Part B, Recovery Act	84.391	15003	1,345,502
Preschool Grant, Part B	84.173	13430	34,387
Preschool Local Entitlement, Part B	84.027A	13682	41,193
Total U.S. Department of Education			10,692,656
U.S. Department of Health & Human Services:			
Passed through California Dept. of Education (CDE):			
Child Development: Quality Improvement Activities	93.575	14678	1,781
Medi-Cal Billing Option	93.778	10013	4,585
Total U.S. Department of Health & Human Services			6,366
Total Expenditures of Federal Awards			$ 14,309,312

PITTSBURG UNIFIED SCHOOL DISTRICT
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2010

		Capital Facilities Fund
June 30, 2010, annual financial and budget report		
(SACS) fund balances	$	5,780,250
Adjustments and reclassifications:		
Change in fund balance:		
To record the issuance of a COP, net of discount		33,247,960
To record the activity of the COP projects		(6,465,755)
To record additional debt payment		(94,312)
Net adjustments and reclassifications		26,687,893
June 30, 2010, audited financial statement fund balances	$	32,468,143

See accompanying note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)
Average daily attendance (ADA) 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.

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code section 46201. For 2009-10 through 2012-13, the instructional day and minute requirements have been reduced pursuant to Education Code Section 46201.2.

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

Schedule of Expenditures of Federal Awards
The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Subrecipients
Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Other Independent Auditor's Reports

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Board of Trustees
Pittsburg Unified School District
Pittsburg, California

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*

Independent Auditor's Report

We have audited the basic financial statements of Pittsburg Unified School District as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated December 9, 2010. We conducted our audit in accordance with generally accepted auditing standards 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 Pittsburg Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pittsburg Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pittsburg Unified School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness as item #2010-5.

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 in the accompanying schedule of findings and questioned costs to be significant deficiencies as items #2010-1 through #2010-4.

<u>Compliance and Other Matters</u>

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

Pittsburg Unified School District's responses to the findings identified in our audit are described in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit Pittsburg 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 Board, management, others within the entity, the California Department of Education, the California State Controller's Office, 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.

Christy White Accountancy Corporation

San Diego, California
December 9, 2010

Board of Trustees
Pittsburg Unified School District
Pittsburg, California

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

Independent Auditor's Report

Compliance

We have audited Pittsburg Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Pittsburg Unified School District's major federal programs for the year ended June 30, 2010. Pittsburg 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 each of its major federal programs is the responsibility of Pittsburg Unified School District's management. Our responsibility is to express an opinion on Pittsburg 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. 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 Pittsburg Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Pittsburg Unified School District's compliance with those requirements.

In our opinion, Pittsburg 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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Internal Control Over Compliance

Management of Pittsburg 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 Pittsburg Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Pittsburg Unified School District's internal control over compliance.

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

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

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

Christy White Accountancy Corporation

San Diego, California
December 9, 2010

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Board of Trustees
Pittsburg Unified School District
Pittsburg, California

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

We have audited the basic financial statements of the Pittsburg Unified School District, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated December 9, 2010. Our audit was made 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 *Standards and Procedures for Audits of California K-12 Local Educational 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 opinions.

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 Audit Guide	Procedures Performed
Attendance Accounting:		
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 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	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 Program:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not applicable
Districts with only one school serving K-3	4	Not applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	4	Yes
Before School	5	Yes
Charter Schools:		
Contemporaneous Records of Attendance	1	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes – Classroom Based	3	Not applicable

Based on our audit, we found that for the items tested, the District complied with the state laws and regulations referred to above, except as described in the accompany Schedule of Findings and Questioned Costs as items #2010-6 through #2010-7. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Pittsburg Unified School District had not complied with the state laws and regulations.

This report is intended solely for the information and use of the Board, management, others within the entity, the California Department of Education, the California Department of Finance, the California State Controller's Office, 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.

Christy White Accountancy Corporation

San Diego, California
December 9, 2010

Findings and Questioned Costs Section

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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
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010, 84.389	Title I, Part A Cluster
84.027, 84.027A, 84.173, 84.391	Special Education (IDEA) Cluster
84.394	ARRA - State Fiscal Stablization Funds

Dollar threshold used to distinguish between Type A and Type B programs:	$ 429,279
Auditee qualified as low-risk auditee?	Yes

State Awards

Internal control over state programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for state programs:	Qualified

Section II – Financial Statement Findings

This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Finding #2010-1: Associated Student Body Internal Controls (30000)

Internal controls should be implemented to minimize the possibility for waste or abuse of Associated Student Body (ASB) resources. We found the following internal control deficiencies during the audit of the following ASB organizations:

Pittsburg High School

- The student treasurer of the ASB is an authorized signor of the account.
- Three of five cash receipts tested lacked supporting documentation, such as tally sheets to indicate the amount of items sold and the price of those items. The events for these proceeds include concession sales and fundraisers for an aggregate total of $991.

Hillview Junior High

- Two of five cash receipts tested lacked supporting documentation, such as pre-numbered ticket or tally sheets to indicate the amount of items sold and the price of those items. The events for these proceeds include dance ticket sales and avid refreshment sales for an aggregate total of $241.

Section II – Financial Statement Findings (continued)

Finding #2010-1: Associated Student Body Internal Controls (30000) (continued)

Recommendation: We recommend that the District provide training to ASB staff and implement controls to address the internal deficiencies noted above in the area of cash receipts.

District Response: Due to the constant changes of staff at school sites, the District needs to provide additional training in ASB management. The District has contacted the Contra Costa County Office of Education and FCMAT to provide a training workshop in January for all staff involve in ASB accounts. Thereafter, the District will incorporate periodic refresher training during the year.

Finding #2010-2: Accounts Payable vs. Purchasing Function (30000)

We noted the District does not have a separate department devoted to purchasing functions. Currently, the Accounts Payable Department sets up new vendors and makes payments, creating a lack of segregation of duties. The Finance Director is aware of the issue and has been evaluating options to correct. The lack of segregation of duties could cause fictitious vendors to be setup and fraudulent payments to be made.

Recommendation: We recommend that the District segregate the vendor set-up function to an individual who is separate from the accounts payable area. Vendor set-up ability should be a function of the purchasing department.

District Response: The Board of Education is considering the establishment of a Purchasing position to segregate the duties between Accounts Payable and Purchasing functions.

Section II – Financial Statement Findings (continued)

Finding #2010-3: Revolving Cash Fund (30000)

We found that cash disbursements from the revolving cash account do not always contain the proper approvals, supporting documentation is not always maintained properly, and that the bank reconciliation is not being done on a timely basis. Specifically, 2 of 10 or 20% of items tested did not have a requisition form to document proper approval of expenditures. Also, the June 2010 reconciliations for the General Fund and Adult Education Fund were reconciled in late October 2010. There is potential for misuse of funds and increase likelihood for fraud.

Recommendation: We recommend that the District use requisition forms to document the approval of all expenditures from the revolving cash accounts and that supporting documentation is maintained. We also recommend that the account is reconciled on a monthly basis and reviewed by management.

District Response: Management has established monthly reconciliations for revolving cash accounts with proper documentation.

Finding #2010-4: Expenditure Testing (30000)

Pre-approval of expenditures is an important function that helps the District ensures that they are within their spending limits. During the expenditure testing, we noted 7 of 72 expenditures tested had purchase orders dated after the invoice date. Two of the expenditures were related to Measure J Bond, one related to Child Nutrition, one related to Deferred Maintenance, one related to Capital Facilities, one related County School Facilities, and one related to the General fund for IDEA program.

Recommendation: We recommend that the District establishes purchase orders prior to payment of all vendors by ensuring purchase requisitions are approved, budgeted funds are sufficient and final purchase order is signed and distributed to all affected parties. Blanket purchase orders may be implemented at the beginning of the year for frequently used vendors.

District Response: The District has established procedures to eliminate this deficiency as well as provided training to staff.

Section II – Financial Statement Findings (continued)

Finding #2010-5: Closing Procedures over Financial Statements (30000) (Material Weakness)

We found in our audit of the District's financial statements that all accounts were not fully analyzed for the fiscal year ended June 30, 2010. The District issued a certificate of participation (COP) in the fiscal year 2009-10 in the principal amount of $33,895,000 plus a discount of $647,040.

Recommendation: We recommend that the District reviews CSAM Procedure 720 to account for any issuances of certificate of participations.

District Response: Staff has reviewed CSAM Procedure 720 to account for any issuance of certificates of participation.

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no audit findings and questioned costs related to federal awards during 2009-10.

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

<u>Finding #2010-6: After School Education and Safety (ASES) Program Attendance (40000)</u>

Criteria: Education Code 8482.3 requires districts applying for ASES funding to follow all fiscal reporting and accounting requirements of the California Department of Education. The auditor is to verify the district has maintained proper controls over the ASES program to ensure that amounts recorded for reporting to the state are accurate.

Condition: In the testing the number of students served in the After School and Before School programs that were submitted to the State, we found that attendance records for the second half of the reporting period was not retained during January and February 2010. In addition, we found in our testing of the Before School program for Hillview Junior High School was overstated by 6 additional pupils in the second half of the reporting period out of 10 days tested. Also, we found in our testing of the After School program for Heights Elementary was overstated by 15 pupils in our 10 days of testing; Parkside Elementary was overstated by 92 pupils in our 10 days of testing; and Hillview Junior High was overstated by 47 pupils in our 10 days of testing. These findings resulted in a cumulative overstatement of 160 student days of attendance out of 3,362 student days tested.

Questioned Costs: None. The ASES program funding is not affected as long as the pupil participation level is 85% of the projected attendance or greater. Since the finding noted a net over reporting of 160 student days of attendance, program attendance did not fall below 85% of the projected attendance, therefore there is no questioned cost.

Cause: Insufficient controls over attendance reporting.

Effect: Incorrect attendance being reported on the report submitted to the state. The District may not meet their participation threshold of a minimum of 85% of attendance should material errors result in the future.

Recommendation: We recommend that the District perform monthly reconciliations of manual sign-in sheets and system detail reports to ensure that the correct numbers of students are being recorded for attendance reporting purposes.

District Response: Staff has implemented monthly reconciliations of manual sign-in sheets and systems detail reports.

Section IV – State Award Findings and Questioned Costs (continued)

Finding #2010-7: Independent Study Attendance (10000)

Criteria: Per California Education Code 51747(b), requires that written records shall be maintained for a period of three years from the date of the evaluation. Also, per California Education Code 51747(c)(1), the current written agreement for each independent study pupil shall include the manner, time, frequency, and place for submitting a pupil's assignments and for the reporting his or her progress.

Condition: At Pittsburg Independent Learning Center, we found 2 of 10 students are missing assignments sheets during the written contract period. Also, we found that 8 of 10 pupils tested appeared to be receiving attendance credit before and after the contract date, or even before the weekly assignments are turned in.

Questioned Costs: None. The District excluded the 44 days or 0.34 ADA from the school site subsequent to our audit and revised the P2 attendance report. The auditor verified this corrective action.

Cause: Lack of program requirements knowledge at the school site. Also, District policies and procedures regarding attendance have not been communicated to those with responsibility for managing attendance.

Effect: The District lost ADA associated with independent study pupils at the school site.

Recommendation: The District should improve internal controls over compliance at the school site to ensure that independent study agreements are properly accounted for.

District Response: Staff is in process of developing systems to improve the management of independent study agreements.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding #2009-1: Associated Student Body Internal Controls	We audited five of the District's Associated Student Body funds, the following are the findings and district responses discovered at four out of the five schools tested. <u>Foothill Elementary</u> Five out of 5 expenditures tested were not supported by requisition forms and did not have proper approval from the Principal. <u>Parkside Elementary School</u> One out of 5 cash receipts tested did not have support to reconcile cash receipts collected and deposited to sales records. <u>Ranch Medanos Junior High</u> One out of 10 cash disbursements tested did not have proper authorization by student body, faculty advisor, and site administrator. <u>Pittsburg High School</u> Eight out of 15 cash receipts tested were not reconciled between cash receipts collected and deposited to sales records. One out of 15 expenditures tested was a questionable expenditure to a District employee and was not supported by a timecard or invoice.	30000	We recommend that the District establishes policies and procedures set forth by FCMAT's *Associated Student Body Accounting Manual* that will ensure proper controls over cash receipts and disbursements.	Partially implemented, see finding #2010-1

Original Finding No.	**Finding**	**Code**	**Recommendation**	**Current Status**
Finding #2009-2: Parkside Parent Club	We discovered upon our audit of the Parkside Parent Club, that no financial records were maintained; including bank statements, reconciliations, expenses, cash receipts and that cash is not kept in secure locations, but is kept at a parent's home or the trunk of a vehicle. This is a potential for misuse or abuse of parent club monies given the lack of controls and documentation.	30000	We recommend that as a condition of the parent groups participation in school activities, that good accounting policies and procedures be established and monitored to ensure accurate collection, distribution, and reporting of the funds.	Implemented
Finding #2009-3: Internal Controls Over Cash Receipts	We discovered during out audit that the accounts receivable technician is responsible for the billing process as well as the opening of the mail when monies are received at the District, which are duties that should be segregated. In addition, it appears that deposits are not done on a timely basis. Moreover, pre-numbered cash receipts are inadequate when collecting monies for musical instruments for the school year. Finally, cash receipts did not have sufficient documentation to reconcile actual money collected with the sales made. This could cause a potential for misuse of funds and increased likelihood for fraud.	30000	We recommend that a separate District employee in the Business Department collect the money and deposit funds on a daily or weekly basis. We also recommend that proceeds have proper support that can reconcile the revenues generated to the cash collected. Also, we recommend using pre-numbered cash receipts.	Implemented
Finding #2009-4: Personnel Files	We noted during our audit that the District did not have complete personnel files for all employees. Also, 4 of 20 employees files tested did not have I-9 forms on file. Greater organization and maintenance of personnel files in Human Resource Department is needed. Non-compliance with district policy and state employment laws could result.	30000	We recommend that I-9 forms be obtained from all District employees and that records are periodically check to verify that all required information has been received and filed.	Implemented

PITTSBURG UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2010

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding #2009-5: Cash Disbursements	We found during the course of the audit that purchase orders are not always approved prior to purchase and that support for expenditures is not always maintained. Three out of 48 expenditures tested had purchase orders dated after the invoice, and support for 4 out of 48 expenditures could not be located. The normal purchasing and cash disbursement approval process is not always being followed and questionable expenditures could potentially be processed for payment, without advance approval.	30000	We recommend that an open purchase order be set up where applicable and that the District be more diligent in requiring sites and departments to submit a purchase order prior to purchase, and that all supporting documentation be maintained.	Not implemented, see finding #2010-4
Finding #2009-6: Revolving Cash Fund	**Condition:** We found that cash disbursements from the revolving cash account do not always contain the proper approvals, supporting documentation is not always maintained properly, and that the bank reconciliation is not being done on a timely basis. This includes 4 of 10 tested that did not have a requisition form to document proper approval of expenditures, 1 of 10 cash disbursement's supporting documentation could not be located, and the account has not been reconciled since December 2008. There is potential for misuse of funds and increase likelihood for fraud.	30000	We recommend that the District use requisition forms to document the approval of all expenditures from the revolving cash account and that supporting documentation be maintained. We also recommend that the account is reconciled on a monthly basis and reconciliation reviewed by management.	Not implemented, see finding #2010-3

Original Finding No.	**Finding**	**Code**	**Recommendation**	**Current Status**
Finding #2009-7: Accounts Payable vs. Purchasing Functions	**Condition:** We noted the District does not have a separate department devoted to purchasing functions. Currently, the Accounts Payable Department sets up new vendors and makes payments, creating a lack of segregation of duties. The Finance Director is aware of the issue and evaluating options to correct. The lack of segregation of duties could cause fictitious vendors to be setup and fraudulent payments to be made.	30000	We recommend that the District segregate the vendor set-up function to an individual who is separate from the accounts payable area. Vendor set-up ability should be a function of the purchasing department. Also, the District should consider establishing a purchasing department.	Not implemented, see finding #2010-2
Finding #2009-8: Cafeteria Cash	**Criteria:** Cash that is collect should be deposited immediately. **Condition:** We found that cash for food service sales is not being deposited in a timely manner. Also, the June 30, 2009 reconciliation for cash in bank does not reconcile to the general ledger at June 30, 2009. More accounting training and supervision is needed in this department. Without good cash controls there could be potential for improper use of funds and fraudulent activity.	30000	We recommend that the district uses the reconciled book balance for the general ledger balance. Also, cash collected should be deposited at a minimum of weekly and training provided to food service staff.	Implemented

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding #2009-9: Attendance Rosters	**Criteria:** Signed weekly attendance rosters should be reviewed and signed by teachers and maintained by District to support attendance per Education Code Section 44809. Auditors are required to verify compliance in Section 19817.1 of the *Standards and Procedures for Audits of California K-12 Local Education Agencies.* **Condition:** Student's attendance records could not always be traced to the original documentation (signed weekly teachers' rosters). We found 3 of 10 attendance record could not be located at Stoneman Elementary. Also, at Riverside Independent Study Program, we noted that attendance records from 3/30 – 4/10 were missing for all teachers. **Questioned Costs:** Approximately 12.10 ADA or a fiscal impact of $74,017. **Context:** A total of 9 of 35 samples were missing corresponding signed weekly teacher's rosters from Stoneman Elementary and Riverside Independent Study. **Cause:** District policies and procedures regarding attendance have not been communicated to those responsible for managing attendance. **Effect:** Possible errors in attendance records and ADA totals.	10000	We recommend that attendance clerk verify that teachers turn in their signed rosters weekly. We also recommend that the District revised its P-2 and Annual attendance reports to reflect only properly supported and allowable	Implemented

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding #2009-10: After School Education and Safety Program	**State Funding Source:** ASES Categorical Grant Program **Criteria:** Per Education Code 8482.3 the District must report the number of students served, as that term is used in the report, for each selected school is supported by written records that document pupil participation, by tracing the reported numbers through any documentation used to summarize the numbers of students served, to written data origination documentation. **Condition:** We found three conditions in the audit of the District's after school program: a. Four out of 10 students tested could not be traced from sign-in sheets to weekly attendance report. b. Monthly summary attendance does not match amount of students served that is reported to the state. c. Sign in sheets have not been retained for the majority of the year. **Questioned Costs:** $1,906,689 was awarded to the District in fiscal year 2009-10. **Effect:** For all three conditions, District is over-reporting pupil attendance since attendance cannot be claimed without support of students actually being present. **Cause:** Inadequate supervision of students signing in and out, as well as not maintaining accurate attendance records.	40000	We recommend that the District monitors the attendance process at each school site and ensures that the attendance record process is properly recorded by the Activity Leaders. We also recommend that all sign-in sheets be retained by each school site and made available to auditors. We recommend that the monthly summary amounts printed from the After School Web program match the Manage Grant Edit Attendance Report submitted to the California Department of Education. Finally, the District should work with CDE in terms of resolution of the audit finding and any apportionment consequence for the 2009-10 school year – a 100% internal audit might help to establish how much in funding is at risk of loss.	Partially implemented, see finding #2010-6

Original Finding No.	**Finding**	**Code**	**Recommendation**	**Current Status**
Finding #2009-11: School Accountability Report Card	**Criteria:** School facilities conditions assessments as indicated in a school's annual School Accountability Report Card should match the information indicated in facility conditions evaluation instruments developed by the Office of Public School Construction and approved by the State Allocation Board, or local evaluation instruments that meet the same criteria, as per Education Code Sections 33126(b)(8) and 17002. Auditors are required to verify compliance in Section 19837.1 of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies.* **Condition:** 3 of 4 School Accountability Report Cards (SARC) reported data that was inconsistent with the documentation obtained from the sites facility inspection tool reports. Updating annually and fully reporting complaints is a requirement of the Williams Act. **Cause:** District was unaware of this issue. **Questioned Cost:** None. **Effect:** The School Accountability Report Card did not contain accurate information regarding condition of facilities for Stoneman Elementary, Parkside Elementary, and Foothill Elementary schools.	72000	District should complete a local evaluation instrument that meets the criteria for proper School Accountability Report Card reporting. The results of the local evaluation instrument should then be indicated on the respective year's School Accountability Report Card.	Implemented

APPENDIX C

SUMMARY OF THE INDENTURE, THE 2006C RESOLUTION AND THE 2010A RESOLUTION

The following is a brief summary of certain provisions of the Indenture. Such summary is not intended to be definitive, and reference is made to the Indenture, copies of which may be obtained from the District for the complete terms thereof.

THE INDENTURE

Definitions

"*Accreted Interest*" means, with respect to the Capital Appreciation Bonds, the Accreted Value thereof as of the date of calculation minus the Denominational Amount thereof.

"*Accreted Value*" means, with respect to the Capital Appreciation Bonds, as of the date of calculation, the Denominational Amount thereof, plus Accreted Interest thereon to such date of calculation, compounded semiannually on each March 1 and September 1 (commencing on September 1, 2011) at the stated Accretion Rate to maturity thereof, assuming in any such semiannual period that such Accreted Value increases in equal daily amounts on the basis of a 360-day year of 12, 30-day months.

"*Accretion Rate*" means, that rate which, when applied to the Denominational Amount of any Capital Appreciation Bond and compounded semiannually on each March 1 and September 1 (commencing on September 1, 2011), produces the Maturity Value on the maturity date.

"*Act*" means Articles 1 through 4 (commencing with section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, as in existence on the Closing Date or as thereafter amended from time to time.

"*AGM*" means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assigns thereof.

"*Asset Coverage Test*" means, with respect to any prospective redemption of the Bonds and of the 2006 District Bonds or the 2010 District Bonds, that following such redemption the remaining scheduled principal, Accreted Value or Maturity Value of and interest due on the Bonds on each succeeding Interest Payment Date is not in excess of the remaining aggregate scheduled principal and interest due on each such Interest Payment Date on the 2006 District Bonds or the 2010 District Bonds.

"*Authority*" means the Pittsburg Unified School District Financing Authority, a joint powers authority duly organized and existing under the laws of the State.

"*Board*" means the Board of Directors of the Authority.

"*Bond Counsel*" means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the District of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

"*Bond Law*" means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with section 6584), as in existence on the Closing Date or as thereafter amended from time to time.

"*Bond Obligation*" means, as of any given date of calculation, (a) with respect to any Outstanding Bond, the Principal Amount of such Current Interest Bond, and (b) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof.

"*Bond Payment Date*" means (i) with respect to the Current Interest Bonds, March 1 and September 1 of each year, commencing Macrh 1, 2012, with respect to the interest on the Current Interest Bonds, and the stated maturity dates thereof, with respect to the principal payments on the Current Interest Bonds, and (ii) with respect to the Capital Appreciation Bonds, the stated maturity dates thereof, as applicable.

"*Bond Year*" means each twelve-month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 1, 2011.

"*Bonds*" means the $59,999,952 aggregate Principal Amount of Pittsburg Unified School District Financing Authority 2011 General Obligation Revenue Bonds (Pittsburg Unified School District Bond Program), authorized by and at any time Outstanding pursuant to the Bond Law and the Indenture.

"*Business Day*" means a day of the year, other than a Saturday or Sunday, or legal holiday on which banks in the State of California are required or authorized to remain closed.

"*Capital Appreciation Bonds*" means the Bonds on which interest is compounded semiannually to maturity as shown in the table of Accreted Values for such Bonds in the Official Statement.

"*Certificate of the Authority*" means a certificate in writing signed by the Chairman, Executive Director, Secretary or Treasurer of the Authority, or by any other officer of the Authority duly authorized by the Board for that purpose, written notice of which shall be given to the Trustee.

"*Closing Date*" means July 14, 2011, being the date of delivery of the Bonds to the original purchaser thereof.

"*Continuing Disclosure Certificate*" shall mean the Continuing Disclosure Certificate executed by the District, and dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"*County*" means the County of Contra Costa, a political subdivision organized and existing under the laws of the State.

"*Current Interest Bonds*" means the Bonds, which pay interest semiannually to the Owners thereof.

"*Defeasance Obligations*" means (a) cash, (b) non callable direct obligations of the United States of America ("Treasuries"), (c) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (d) subject to the prior written consent of the Insurer, pre refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (e) subject to the prior written consent of AGM, securities eligible for "AAA" defeasance under then existing criteria of S&P.

"*Denominational Amount*" means, with respect to the Capital Appreciation Bonds, the initial Principal Amounts thereof, and, with respect to the Current Interest Bonds, the Principal Amounts thereof.

"*Depository*" means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository pursuant to the Indenture.

"*Depository System Participant*" means any participant in the Depository's book-entry system.

"*DTC*" means The Depository Trust Company, New York, New York, and its successors and assigns.

"*District*" means the Pittsburg Unified School District, a unified school district organized under the laws of the State, and any successor thereto.

"*District Paying Agent*" means The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America or any other entity designated in accordance with the 2006C Bond Resolution and the 2010A Bond Resolution, as paying agent for the 2006 District Bonds and the 2010 District Bonds.

"*Excess Investment Earnings*" means the amount of excess investment earnings determined to be subject to rebate to the United States of America with respect to the investment of the gross proceeds of the Bonds, determined pursuant to section 148(f) of the Tax Code.

"*Event of Default*" means any of the events described in the Indenture.

"*Fair Market Value*" means, with respect to any investment, the price at which a willing buyer would purchase such investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as described above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Authority and related parties do not own more than a ten percent (10%) beneficial interest tin the Indenture if the return paid by the fund is without regard to the source of the investment.

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

"*Fiscal Year*" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

"*Indenture*" means the Indenture of Trust, dated as of July 1, 2011, by and between the Authority and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions thereof.

"*Independent Accountant*" means any certified public accountant or firm of certified public accountants appointed and paid by the Authority, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the District; (b) does not have any substantial interest, direct or indirect, in the Authority or the District; and (c) is not connected with the Authority or the District as an officer or employee of the Authority or the District but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the District.

"*Independent Financial Consultant*" means any financial consultant or firm of such consultants appointed and paid by the District, and who, or each of whom: (a) is in fact independent and not under domination of the Authority or the District; (b) does not have any substantial interest, direct or indirect, in the Authority or the District; and (c) is not an officer or employee of the Authority or the District, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the District.

"*Information Services*" means the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board, (at http://emma.msrb.org); provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, shall mean such other organizations providing information with respect to the Bonds shall mean such other organizations providing information with respect to the redemption of bonds as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

"*Interest Account*" means the account by that name established and held by the Trustee pursuant to the Indenture.

"*Interest Payment Date*" means March 1 and September 1 in each year, beginning March 1, 2012, and continuing thereafter so long as any Bonds remain Outstanding.

"*Maturity Value*" means, with respect to any Capital Appreciation Bond, the Accreted Value of such Capital Appreciation Bond (representing both principal and interest payable on any such Bond) on the maturity date thereof.

"*Moody's*" means Moody's Investors Service, its successors and assigns.

"*Municipal Bond Insurance Policy*" means the municipal bond insurance policy issued by AGM guaranteeing the payment, when due, of the principal and interest with respect to the Bonds.

"Nominee" means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to the Indenture.

"*Outstanding*", when used as of any particular time with reference to Bonds, means all Bonds theretofore executed, issued and delivered by the Authority under the Indenture except (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation, (b) Bonds paid or deemed to have been paid within the meaning of the Indenture, and (c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the Indenture or any Supplemental Indenture.

"*Owner*", when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"*Participating Underwriter*" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

"*Permitted Investments*" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested tin the Indenture, but only to the extent that the same are acquired at Fair Market Value (provided the Trustee may rely upon the Request of the Authority directing investment under the Indenture as a determination that such investment is a Permitted Investment):

"*Permitted Investments*" means any of the following:

(a) United States Treasury Obligations;

(b) Federal Housing Administration debentures;

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

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

(ii) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes,

(iii) Federal Home Loan Banks (FHL Banks) consolidated debt obligations,

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

(v) Financing Corporation (FICO) debt obligations, and

(vi) Resolution Funding Corporation (REFCORP) debt obligations;

(d) Unsecured certificates of deposit, time deposits, money market deposit accounts and bankers" acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P;

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

(f) Commercial paper (having original maturities of not more than 30 days) rated "A-1+" by S&P and "Prime-1" by Moody's;

(g) Money market funds rated in the highest rating category by S&P and Moody's including such funds for which the Trustee or an affiliate provides investment advice or other services;

(h) "State Obligations," which means:

(i) Direct general obligations of any state of the United States of America or any subdivision of agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated,

(ii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (i) above and rated "A-1+" by S&P and "MIG-1" by Moody's, and

(iii) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (i) above and rated "AA" or better by S&P and "Aa" or better by Moody's;

(i) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(i) the municipal obligations are (A) not subject to redemption prior to maturity or (B) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions,

(ii) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations,

(iii) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification"),

(iv) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations

(v) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification, and

(vi) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent;

(j) Repurchase agreements with

(i) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "AA" by S&P and Moody's, or

(ii) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "AA" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation, or

(iii) any other entity rated "AA" or better by S&P and Moody's and acceptable to AGM, provided that:

(A) The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach),

(B) The Trustee or a third party acting solely as agent therefor or for the City (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books),

(C) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession),

(D) All other requirements of S&P in respect of repurchase agreements shall be met, and

(E) The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the City or the Trustee (who shall give such direction if so directed by AGM), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the City or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

(k) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt is rated at least “AA” (stable) by S&P and “Aa” (stable) by Moody’s, or, in the case of a monoline Municipal Bond Insurance company, claims paying ability of the guarantor is rated at least “AAA” (stable) by S&P and “Aaa” (stable) by Moody’s; provided that, by the terms of the investment agreement:

(i) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) with respect to the Certificates;

(ii) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days’ prior notice; the City and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(iii) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(iv) the City or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the City and AGM) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, AGM;

(v) the investment agreement shall provide that if during its term:

(A) the provider’s rating by either S&P or Moody’s falls below “AA-” or “Aa3”, respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider’s books) to the City, the Trustee or a third party acting solely as agent therefor (the “Holder of the Collateral”) collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and

(B) the provider’s rating by either S&P or Moody’s is withdrawn or suspended or falls below “A-” or “A3”, respectively, the provider must, at the direction of the City or the Trustee (who shall give such direction if so directed by AGM), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the City or Trustee, and

(vi) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

(vii) the investment agreement must provide that if during its term:

(A) the provider shall default in its payment obligations, the provider’s obligations under the investment agreement shall, at the direction of the City or the Trustee (who shall give such direction if so directed by AGM), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the City or Trustee, as appropriate, and

(B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the City or Trustee, as appropriate.

(l) The Local Agency Investment Fund of the State, created pursuant to section 16429.1 of the California Education Code, to the extent the Trustee is authorized to register such investment in its name.

(m) other forms of investments (including repurchase agreements) approved in writing by AGM.

"*Principal Account*" means the account by that name established and held by the Trustee pursuant to the Indenture.

"*Principal*" or "*Principal Amount*" means, with respect to any Current Interest Bond, the principal or principal amount thereof and, with respect to any Capital Appreciation Bond, the Denominational Amount.

"*Principal Prepayments*" means any amounts received by the Trustee representing (a) a redemption of any of the 2006 District Bonds pursuant to the 2006C Bond Resolution, consisting of the principal amount of the 2006 District Bonds being redeemed, or (b) a redemption of any of the 2010 District Bonds pursuant to the 2010A Bond Resolution, consisting of the principal amount of the 2010 District Bonds being redeemed; but excluding in any event the amount of any regularly scheduled payments of principal, Accreted Value or Maturity Value of and interest on the Bonds paid concurrent therewith.

"*Purchase Fund*" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"*Rebate Account*" means the account established and held by the Trustee pursuant to the Indenture.

"*Record Date*" means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

"*Registration Books*" means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

"*Request of the Authority*" means a request in writing signed by the Chair, Executive Director, Secretary or Treasurer of the Authority, or by any other officer of the Authority duly authorized by the Board for that purpose, written notice of which shall be given to the Trustee.

"*Revenue Fund*" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"*Revenues*" means: (a) all amounts derived from or with respect to the 2006 District Bonds, including but not limited to all Principal Prepayments and other payments of principal or Accreted Value thereof and interest thereon; (b) all amounts derived from or with respect to the 2010 District Bonds, including but not limited to all Principal Prepayments and other payments of principal or Accreted Value thereof and interest thereon; (c) all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture, other than the Rebate Account; and (d) income and gains with respect to the investment of amounts on deposit in the funds and accounts established under the Indenture, other than the Rebate Account.

"*S&P*" means Standard & Poor's Ratings Services, its successors and assigns.

"*Securities Depositories*" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041-0099, Attention: Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

"*State*" means the State of California.

"*Supplemental Indenture*" means any indenture, agreement or other instrument hereafter duly executed by the Authority and the Trustee in accordance with the provisions of the Indenture.

"*Tax Code*" means the Internal Revenue Code of 1986, as amended. Any reference to a provision of the Tax Code shall include the applicable Tax Regulations with respect to such provision.

"*Tax Regulations*" means temporary and permanent regulations promulgated under or with respect to section 103 and sections 141 through 150, inclusive, of the Tax Code.

"*Trust Office*" means the corporate trust office of the Trustee at the address set forth in the Indenture, and such office as the Trustee may designate in writing to the Authority from time to time as the place for transfer, exchange or payment of the Bonds.

"*Trustee*" means The Bank of New York Mellon Trust Company, N.A. and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Indenture.

"*2006C Bond Resolution*" means the resolution adopted by the Board of Trustees of the District on June 22, 2011, pursuant to which the District authorized the issuance of the 2006 District Bonds, as such resolution may hereafter be amended and supplemented.

"*2006 District Bonds*" means the $35,000,000 Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2006, Series C (2011) all of which are to be purchased with amounts in the Purchase Fund pursuant to the Indenture.

"*2010A Bond Resolution*" means the resolution adopted by the Board of Trustees of the District on June 22, 2011, pursuant to which the District authorized the issuance of the 2010 District Bonds, as such resolution may hereafter be amended and supplemented.

"*2010 District Bonds*" means the $24,999,952 Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2010, Series A (2011) all of which are to be purchased with amounts in the Purchase Fund pursuant to the Indenture.

Purchase Fund

The Trustee shall establish and maintain a separate fund to be known as the "Purchase Fund" into which shall be deposited the net proceeds of sale of the Bonds pursuant to the Indenture. On the Closing Date, the Trustee shall withdraw all amounts on deposit in the Purchase Fund and transfer the sum of $35,000,000 to the District Paying Agent for deposit by the District Paying Agent under the 2006C Bond Resolution, as the purchase price for the 2006 District Bonds, and the sum of $25,854,840.97 to the District Paying Agent for deposit by the District Paying Agent under the 2010A Bond Resolution, as the purchase price for the 2010 District Bonds.

Pledge of Revenues; Assignment of Rights

Subject to the provisions of the Indenture, the Bonds shall be secured by a first lien on and pledge (which shall be effected in the manner and to the extent provided in the Indenture) of all of the Revenues and a pledge of all of the moneys in the Revenue Fund, the Interest Account and the Principal Account, including all amounts derived from the investment of such moneys. The Bonds shall be equally secured by a pledge, charge and lien upon the Revenues and such moneys without priority for number, date of Bonds, date of execution or date of delivery; and the payment of the interest on and principal, Accreted Value or Maturity Value of the Bonds shall be and are secured by an exclusive pledge, charge and lien upon the Revenues and such moneys. So long as any of the Bonds are Outstanding, the Revenues and such moneys shall not be used for any other purpose; except that out of the Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

The Authority transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority (but not the obligations) in the 2006 District Bonds and the 2010 District Bonds. The Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and, subject to the provisions of the Indenture, shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the District under the 2006 District Bonds and the 2010 District Bonds.

Receipt, Deposit and Application of Revenues

Deposit of Revenues; Revenue Fund. All Revenues described in clause (a) of the definition thereof in the Indenture shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee shall establish, maintain and hold in trust under the Indenture.

Application of Revenues: Special Accounts. On or before each date on which interest on the Bonds becomes due and payable, the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(i) **Interest Account**. On or before each date on which interest on the Bonds becomes due and payable, the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such date on all Outstanding Bonds. No deposit need be made into the Interest Account if the amount contained tin the Indenture is at least equal to the interest becoming due and payable upon all Outstanding Bonds on such date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity). All amounts on deposit in the Interest Account on any Interest Payment Date, to the extent not required to pay any interest then having come due and payable on the Outstanding Bonds, shall be withdrawn therefrom by the Trustee and transferred to the District to be used for any lawful purposes of the District.

(ii) **Principal Account**. On or before each date on which the principal of the Bonds shall be payable, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the aggregate amount of principal coming due and payable on such date on the Bonds pursuant to the Indenture, or the redemption price of the Bonds (consisting of the Principal Amount thereof) required to be redeemed on such date pursuant to any of the provisions of the Indenture. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of (A) paying the principal of the Bonds at the maturity thereof, (B) paying the principal of the Term Bonds upon the mandatory sinking fund redemption thereof pursuant to the Indenture or (C) paying the principal of any Bonds upon the redemption thereof pursuant to the Indenture. All amounts on deposit in the Principal Account on the first day of any Bond Year, to the extent not required to pay the principal of any Outstanding Bonds then having come due and payable, shall be withdrawn therefrom and transferred to the District to be used for any lawful purposes of the District.

(iii) **Surplus**. On September 1 of each year, after making the deposits required on such September 1 pursuant to the preceding clause (i) and (ii) above, the Trustee shall transfer any amount remaining on deposit in the Revenue Fund to the District, free and clear of the lien of the Indenture, to be used for any lawful purpose of the District.

Rebate Account. The Trustee shall deposit in the Rebate Account from time to time, from payments made by the District for such purpose pursuant to the 2006C Bond Resolution and the 2010A Bond Resolution, an amount determined by the Authority to be subject to rebate to the United States of America in accordance with the Indenture. Amounts in the Rebate Account shall be applied and disbursed by the Trustee solely for the purposes and at the times set forth in Requests of the Authority filed with the Trustee pursuant to the Indenture.

Investments

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture, the 2006C Bond Resolution or the 2010A Bond Resolution (other than the Purchase Fund and the moneys deposited in the Interest Account from the proceeds of the Bonds) shall be invested by the Trustee solely in Permitted Investments, as directed in writing by the District two (2) Business Days prior to the making of such investment. Permitted Investments may be purchased at such prices as the District shall determine. All Permitted Investments shall be acquired subject to any limitations or requirements as may be established by the Written Request of the District (as defined in the 2006C Bond Resolution and the 2010A Bond Resolution) filed with the Trustee. Moneys in all funds and accounts shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture. Absent timely written direction from the District, the Trustee shall invest any funds held by it in Permitted Investments described in clause (g) of the definition thereof; *provided, however*, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Written Request of the District specifying a specific money market fund and, if no such Written Request of the District is so received, the Trustee shall hold such moneys uninvested.

All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture shall be deposited in the Revenue Fund, except that such interest, profits and other income (i) on amounts in the Rebate Account shall be retained tin the Indenture to be used for the purposes thereof, and (ii) on amounts in the Purchase Fund shall be retained tin the Indenture to be used for the purposes thereof. Permitted Investments acquired as an investment of moneys in any fund established under the Indenture shall be credited to such fund.

The Trustee or any of its affiliates may act as principal or agent in the making or disposing of any investment. The Trustee shall sell or present for redemption, any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Indenture. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established under the Indenture.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee shall furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture.

Subject to the provisions of the next paragraph (which shall prevail in the event of any conflict with the provisions of this paragraph), all investments of amounts deposited in any fund or account created by or pursuant to the Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Tax Code), shall be acquired and disposed of and valued at Fair Market Value; *provided, however*, that investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code), shall be valued at their present value (within the meaning of section 148 of the Tax Code). The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow (1) its normal practices in the purchase, sale and determining the value of Permitted Investments; and (2) the investment directions of the District.

For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value determined by the Trustee based on accepted industry standards and from accepted industry providers (accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers); as to certificates of deposit and bankers' acceptances, the face amount thereof plus accrued interest thereon; and as to any investment not specified above, the value thereof established by prior agreement among the Authority and the Trustee.

Certain Covenants of the Authority

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal, Accreted Value or Maturity Value of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this paragraph shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues, the 2006 District Bonds, the 2010 District Bonds and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by the Trustee relating to the proceeds of Bonds, the Revenues and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority and the District, during regular business hours with reasonable prior notice.

No Parity Debt. Except for the Bonds, the Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

Tax Covenants Relating to Bonds.

(a) *Private Business Use Limitation*. The Authority shall assure that the proceeds of the Bonds (and the proceeds of the 2006 District Bonds and the 2010 District Bonds) are not used in a manner which would cause the Bonds to become "private activity bonds" within the meaning of section 141(a) of the Tax Code.

(b) *Private Loan Limitation*. The Authority shall assure that no more than five percent (5%) of the net proceeds of the Bonds (and of the 2006 District Bonds and the 2010 District Bonds) are used, directly or indirectly, to make or finance a loan (other than loans constituting nonpurpose obligations as defined in the Tax Code or constituting assessments) to persons other than state or local government units.

(c) *Federal Guarantee Prohibition*. The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Tax Code.

(d) *No Arbitrage*. The Authority shall not take, or knowingly permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Tax Code.

Covenants With Respect to the 2006 District Bonds and the 2010 District Bonds.

(a) *Sale of 2006 District Bonds or 2010 District Bonds*. The Authority may sell the 2006 District Bonds or the 2010 District Bonds or any portion of the principal thereof upon written direction of the Authority to the Trustee specifying the principal amount and purchase price of the 2006 District Bonds or the 2010 District Bonds to be sold, accompanied by: (i) cash and a written direction of the Authority as to any investment of such cash in Defeasance Obligations, (ii) a certificate of the Authority specifying the maturity or maturities and Principal Amounts of the Bonds to be defeased (in the manner contemplated by the Indenture) with such cash and any Defeasance Obligations specified pursuant to the preceding clause (i), (iii) a written certificate of an Independent Financial Consultant to the effect that the aggregate of the principal and interest due on the portion, if any, of such 2006 District Bonds or 2010 District Bonds to be retained by the Trustee following such sale will be sufficient in time and amount to timely pay the principal and interest due on the Bonds which will remain Outstanding following such sale, and (iv) an opinion of Bond Counsel to the effect that such sale, in itself, will not adversely affect the exclusion from the gross incomes of the Owners of the interest on the Bonds. Upon receipt of such documents, the Trustee shall invest such cash as specified by the Authority pursuant to clause (i) above and hold such investments and any uninvested cash in an escrow fund to be used solely for payment of the Bonds defeased therewith, and shall cooperate with the Authority in the transfer of such 2006 District Bonds or the 2010 District Bonds so sold to the purchaser thereof. Upon the discharge of all of the Bonds pursuant to the Indenture, the Trustee shall thereupon convey all of its right, title and interest in and to the applicable 2006 District Bonds or 2010 District Bonds to the District.

(b) *Amendment of 2006 District Bonds or the 2010 District Bonds*. Neither the Trustee nor the Authority shall consent or agree to consent to any amendment or modification of the 2006C Bond Resolution or the 2010A Bond Resolution unless the Authority shall have obtained, and caused to be filed with the Trustee, (a) if applicable, the report of an Independent Financial Consultant stating that such amendment or modification will not cause a reduction in the amount of Revenues required to pay debt service on the Bonds, and (b) an opinion of Bond Counsel stating that such amendment or modification will not materially adversely impair the interests of the Bond Owners under the Indenture, and will not cause interest on the Bonds to be includable in gross income of the Bond Owners for federal income tax purposes. The Trustee and the Authority may conclusively rely on such report of the Independent Financial Consultant and Opinion of Bond Counsel and shall, in each case, be protected in relying thereon.

(c) *Collection of Revenues*. The Trustee shall collect and cause to be paid to it all Revenues promptly as such Revenues become due and payable, and, subject to the provisions of the Indenture, shall enforce and cause to be enforced all rights of the Trustee under and with respect to the 2006 District Bonds or the 2010 District Bonds. Enforcement of the rights of the Trustee under and with respect to the 2006 District Bonds or the 2010 District Bonds shall be subject to the provisions of subsection (e) above.

(d) *Notification of 2006 District Bonds or the 2010 District Bonds Default*. Upon receiving actual knowledge of either (i) the failure to pay when due any installment of principal, Accreted Value or Maturity Value of or interest on any of the 2006 District Bonds or the 2010 District Bonds, or (ii) the occurrence of any other default under the 2006C Bond Resolution or the 2010A Bond Resolution, the Trustee shall promptly notify the Authority of such failure or event of default by telephone, fax or other form of telecommunication, promptly confirmed in writing. Such notice shall identify the nature of the default.

(e) *Exercise of Remedies With Respect to 2006 District Bonds or the 2010 District Bonds*. Subject to the limitations set out in the Indenture, upon the occurrence of a default with respect to any of the 2006 District Bonds or the 2010 District Bonds, the Trustee may, and if requested in writing by the Owners of a majority in aggregate Principal Amount of the majority of the Bond Obligation the Trustee shall, subject to the provisions of the Indenture, exercise any and all remedies granted to the Trustee as registered owner of the 2006 District Bonds or the 2010 District Bonds.

(f) *Optional Redemption of 2006 District Bonds or the 2010 District Bonds*. The Authority shall not consent to the optional redemption of any of the 2006 District Bonds or the 2010 District Bonds unless it shall first have obtained a certificate of an Independent Financial Consultant which: (i) specifies (A) the Principal Amount and redemption date and price of any Bonds to be redeemed pursuant to the Indenture as a result of the optional redemption of the 2006 District Bonds or the 2010 District Bonds, and (B) the Principal Amount and redemption date and price of any Bonds to be redeemed pursuant to the Indenture as a result of the optional redemption of the 2006 District Bonds or the 2010 District Bonds, and (C) the date and Principal Amount of any sinking fund redemption payments specified in the Indenture to be reduced as a consequence of any such optional redemption under the Indenture, and (D) the date and Principal Amount of any sinking fund redemption payments to be reduced as a consequence of the proposed optional redemption of the 2006 District Bonds or the 2010 District Bonds; and (ii) concludes that, based upon the information supplied in clauses (i)(A) through (D) above, and in reliance upon the Trustee, the District Paying Agent, the District and the Authority implementing the redemption of the 2006 District Bonds or the 2010 District Bonds and the Bonds in a manner consistent with such information, the Asset Coverage Test will be met following the optional redemption. The Authority and the Trustee may conclusively rely upon any such certificate of an Independent Financial Consultant in connection with the redemption of the Bonds under the Indenture and the reduction of any sinking fund payments listed in the Indenture as a consequence of such optional redemption.

The consent of the Authority to any such optional redemption of the 2006 District Bonds or the 2010 District Bonds may be executed and delivered by the Executive Director of the Authority, who is authorized to so execute and deliver any such consent following receipt of the certificate of an Independent Financial Consultant described in the preceding paragraph, without the need for any further action by the Board of Directors of the Authority. No officer of the Authority shall be subject to any personal liability by reason of his execution and delivery of any such consent.

Continuing Disclosure. Pursuant to the District Resolutions, the District has undertaken all responsibility for compliance with continuing disclosure requirements, and neither the Authority nor the Trustee shall have any liability to the Owners of the Bonds or any other person with respect to S.E.C Rule 15c2-12. Notwithstanding any other provision of the Indenture, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee shall at the request of the Owners of at least 25% aggregate Principal Amount of Outstanding Bonds, to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys, or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under the District Resolutions. For purposes of the Indenture, "Beneficial Owner" means 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).

Modification and Amendment of the Indenture

Amendment. The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any Bond Owners, to the extent permitted by law but only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements hereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Authority;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in any other respect whatsoever, as the Authority may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners in the opinion of Bond Counsel;

(c) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; or

(d) to amend any provision of the Indenture relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on any of the Bonds under the Tax Code, in the opinion of Bond Counsel.

Except as set forth in above, the Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may only be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of a majority of the Bond Obligation are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal or interest at the time and place and at the rate and in the currency provided tin the Indenture of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties thereto or thereto and all Owners of Outstanding Bonds, as the case may be, shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Events of Default and Remedies

Events of Default. The following events shall be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal, Accreted Value or Maturity Value of any Bond when and as the same shall become due and payable, whether at maturity as tin the Indenture expressed, by proceedings for redemption, by declaration or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable.

(c) Failure by the Authority to observe and perform any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than as referred to in the preceding clauses (a) and (b), for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied has been given to the Authority by the Trustee; *provided, however,* that if in the reasonable opinion of the Authority the failure stated in such notice can be corrected, but not within such sixty (60) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Authority within such sixty (60) day period and diligently pursued until such failure is corrected.

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

Remedies Upon Event of Default. Subject to the provisions of the Indenture, if any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority of the Bond Obligation shall, upon notice in writing to the Authority and the District, pursue any available remedy at law or in equity to enforce the payment of the principal, Accreted Value or Maturity Value of and interest on the Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture. Notice of the occurrence of any Event of Default shall be given by the Trustee to the Bond Owners if and to the extent required pursuant to the Indenture and indemnification is provided to the Trustee pursuant to the Indenture.

Subject to the provisions of the Indenture, if an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of a majority of the Bond Obligation and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bond Owners under the Indenture or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence tin the Indenture; such right or power may be exercised from time to time as often as may be deemed expedient.

Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid -

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel and any outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal, Accreted Value or Maturity Value of the Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; *provided, however,* that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) to the payment of all installments of interest on the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,

(b) to the payment of principal, Accreted Value or Maturity Value of the Bonds then due and payable, such that the unpaid principal reflects, to the furthest extent possible, the unpaid portion of the 2006 District Bonds or 2010 District Bonds, in the event that the available amounts are insufficient to pay all such principal in full, and

(c) to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Power of Trustee to Control Proceedings. Subject to the provisions of the Indenture, in the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of at least a majority of the Bond Obligation, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however,* that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority of the Bond Obligation opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Bonds shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is appointed (and the successive respective Owners of the Bonds issued under the Indenture, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Rights and Remedies of Bond Owners. No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority of the Bond Obligation shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such sixty (60) day period by the Owners of a majority of the Bond Obligation.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner in the Indenture provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal, Accreted Value or Maturity Value of and interest on such Bond as in the Indenture provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding any provision of the Indenture.

Provisions Relating to AGM and the Municipal Bond Insurance Policy

Notices and Other Information.

(a) Any notice that is required to be given to an Owner, nationally recognized municipal securities information repositories or state information depositories pursuant to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission or to the Trustee pursuant to the Indenture shall also be provided to AGM, simultaneously with the sending of such notices. In addition, all information furnished by the District pursuant to the Continuing Disclosure Certificate shall also be provided to AGM, simultaneously with the furnishing of such information.

All notices required to be given to AGM shall be in writing and shall be sent by registered or certified mail addressed to the Assured Guaranty Municipal Corp., 31 West 52nd Street, New York, New York 10019, Attention: Managing Director—Surveillance, Re: Municipal Bond Insurance Policy Policy No. 213287-N and Reserve Fund Municipal Bond Insurance Policy Policy No. 213287-R, Telephone: (212) 826-0100; Fax: (212) 339-3556. If such communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel of AGM and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(b) AGM shall have the right to receive such additional information as it may reasonably request.

(c) The Authority and the District will permit AGM to discuss the affairs, finances and accounts of the Authority and the District or any information AGM may reasonably request regarding the security for the Bonds with appropriate officers of the Authority and the District, and the Authority and the District will use best efforts to enable AGM to have access to the facilities, books and records of the Authority and the District on any Business Day upon reasonable prior notice.

(d) The Trustee shall notify AGM of any failure of the Authority or the District to provide notices, certificates and other information required to be provided under the Indenture.

Section 9.02. Defeasance. In the event that the principal and/or interest due with respect to the Bonds shall be paid by AGM pursuant to the Municipal Bond Insurance Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Authority to the Owners shall continue to exist and shall run to the benefit of AGM and AGM shall be subrogated to the rights of such Owners, including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Bonds.

Trustee-Related Provisions.

(a) AGM shall receive prior written notice of any name change of the Trustee or the resignation, removal or termination of the Trustee.

(b) No resignation, removal or termination of the Trustee shall take effect until a successor, acceptable to AGM, shall be appointed.

(c) The Trustee may be removed at any time at the request of AGM for any breach of its obligations under the Indenture.

Amendments and Supplements.

(a) With respect to amendments or supplements to the Indenture which do not require the consent of the Owners, AGM must be given prior written notice of any such amendments or supplements.

(b) With respect to amendments or supplements to the Indenture which do require the consent of the Owners, AGM's prior written consent is required.

(c) Copies of any amendments or supplements to the Indenture which are consented to by AGM shall be sent to the rating agencies that have assigned a rating to the Bonds.

(d) Notwithstanding any other provision of the Indenture, in determining whether the rights of Owners will be adversely affected by any action taken pursuant to the terms and provisions thereof, the Trustee shall consider the effect on the Owners as if there was no Municipal Bond Insurance Policy.

(e) AGM shall be deemed to be the sole holder of the Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners are entitled to take pursuant the provisions of the Indenture. pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee.

AGM as Third Party Beneficiary. To the extent that the Indenture confers upon or gives or grants to AGM any right, remedy or claim under or by reason of the Indenture, AGM is explicitly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Control Rights.

(a) AGM shall be deemed to be the Owner of all of the Bonds for purposes of (i) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default, and (ii) granting any consent, direction or approval or taking any action permitted by or required under the Indenture to be granted or taken by the Owners of such Bonds.

(b) Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, AGM shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners.

(c) The rights granted to AGM under the Indenture to request, consent to or direct any action are rights granted to AGM in consideration of its issuance of the Municipal Bond Insurance Policy. Any exercise by AGM of such rights is merely an exercise of AGM's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners and such action does not evidence any position of AGM, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of AGM.

Consent Rights of AGM.

(a) *Consent of AGM*. Any provision of the Indenture expressly recognizing or granting rights in or to AGM may not be amended in any manner that affect the rights of AGM hereunder or thereunder without the prior written consent of AGM.

(b) *Consent of AGM in Addition to Owner Consent*. Wherever the Indenture requires the consent of Owners, AGM's consent shall also be required.

(c) *Consent of AGM in the Event of Insolvency*. Any reorganization or liquidation plan with respect to the Authority or the District must be acceptable to AGM. In the event of any reorganization or liquidation, AGM shall have the right to vote on behalf of all Owners who hold

Bonds guaranteed by AGM, absent a default by AGM under the Municipal Bond Insurance Policy.

The rights granted to AGM under the Indenture to request, consent to or direct any action are rights granted to AGM in consideration of its issuance of the Municipal Bond Insurance Policy. Any exercise by AGM of such rights is merely an exercise of AGM's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf, of the Owners and such action does not evidence any position of AGM, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of AGM.

Payment Procedure Under the Municipal Bond Insurance Policy. If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal and interest with respect to the Bonds due on such Payment Date, the Trustee shall give notice to AGM and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York Authority time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal and interest with respect to the Bonds due on such Payment Date, the Trustee shall make a claim under the Municipal Bond Insurance Policy and give notice to AGM and AGM's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest with respect to the Bonds and the amount required to pay principal with respect to the Bonds, confirmed in writing to AGM and AGM's Fiscal Agent by 12:00 noon, New York Authority time, on such second Business Day by filling in the form of Notice of Claim and Bond delivered with the Municipal Bond Insurance Policy.

The Trustee shall designate any portion of payment of principal with respect to Bonds paid by AGM, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the Principal Amount of Bonds registered to the then current Owners, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to AGM, registered in the name of Assured Guaranty Municipal Corp., in a Principal Amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Authority with respect to any Bond or the subrogation rights of AGM.

The Trustee shall keep a complete and accurate record of all funds deposited by AGM into the Municipal Bond Insurance Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal with respect to any Bond. AGM shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Municipal Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Owners referred to herein as the "Municipal Bond Insurance Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Municipal Bond Insurance Policy in trust on behalf of Owners and shall deposit any such amount in the Municipal Bond Insurance Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Owners in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections of the Indenture regarding payment of Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything in the Indenture to the contrary, the Authority agrees to pay to AGM (i) a sum equal to the total of all amounts paid by AGM under the Municipal Bond Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by AGM until payment thereof in full, payable to AGM at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The Authority of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest with respect to the Bonds; and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days.

Funds held in the Municipal Bond Insurance Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Municipal Bond Insurance Policy Payments Account following a Payment Date shall promptly be remitted to AGM.

AGM shall, to the extent it makes any payment of principal or interest with respect to the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy. Each obligation of the Authority to AGM under the Indenture shall survive discharge or termination of the Indenture.

The Authority shall pay or reimburse AGM any and all charges, fees, costs and expenses that AGM may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Indenture; (ii) the pursuit of any remedies under the Indenture or otherwise afforded by law or equity; (iii) any amendment, waiver or other action with respect to, or related to, the Indenture whether or not executed or completed; or (iv) any litigation or other dispute in connection with the Indenture or the transactions contemplated thereby, other than costs resulting from the failure of AGM to honor its obligations under the Municipal Bond Insurance Policy. AGM reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture.

After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Authority or rebate only after the payment of past due and current debt service on the Bonds and amounts required to restore the Reserve Fund to the Reserve Requirement.

AGM shall be entitled to pay principal or interest with respect to the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy), whether or not AGM has received a Notice of Nonpayment (as such terms are defined in the Municipal Bond Insurance Policy) or a claim upon the Municipal Bond Insurance Policy.

2006C BOND RESOLUTION

The following is a brief summary of certain provisions of the 2006C Resolution. Such summary is not intended to be definitive, and reference is made to the 2006C Resolution, copies of which may be obtained from the District for the complete terms thereof.

Definitions

"*Act*" means Article 4.5 of Chapter 3 of Part 1, of Division 2 of Title 5 (commencing with section 53506) of the California Government Code, as is in effect on the date of adoption of the 2006C Resolution and as amended hereafter.

"*Authority*" means the Pittsburg Unified School District Financing Authority, purchaser of the 2006 District Bonds on the Closing Date.

"*Authority Bonds*" means the Pittsburg Unified School District Financing Authority 2011 General Obligation Revenue Bonds (Pittsburg Unified School District Bond Program), to be secured by the Authority's purchase of the 206 District Bonds and certain other bonds of the District.

"*Authorized Investments*" means any investments permitted by law to be made with moneys belonging to, or in the custody of, the District, but only to the extent that the same are acquired at Fair Market Value.

"*Board*" means the Board of Trustees of the District.

"*Bond Counsel*" means any attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax exempt status of securities issued by public entities.

"*Bond Payment Date*" means, with respect to principal of and interest on the 2006 District Bonds, February 1 and August 1 of each year commencing on February 1, 2012.

"*Bond Register*" means the registration books for the 2006 District Bonds maintained by the Paying Agent.

"*Closing Date*" means the date of delivery of the 2006 District Bonds to the Authority.

"*Code*" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the 2006 District Bonds or (except as otherwise referenced in the 2006C Resolution) as it may be amended to apply to obligations issued on the date of issuance of the 2006 District Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"*Continuing Disclosure Certificate*" shall mean that certain Continuing Disclosure Certificate executed by the District and dated the date of issuance and delivery of the Authority Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"*Costs of Issuance*" means all items of expense directly or indirectly reimbursable to the District relating to the issuance, execution and delivery of the 2006 District Bonds including, but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, legal fees and charges, fees and expenses of the Paying Agent, financial and other professional consultant fees, costs of obtaining credit ratings, fees for execution, transportation and safekeeping of the 2006 District Bonds and charges and fees in connection with the foregoing.

"*County*" means Contra Costa County, California.

"*Debt Service*" means the scheduled amount of interest and amortization of principal payable on the 2006 District Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"*District Representative*" means the Superintendent, the Assistant Superintendent or any other person authorized by resolution of the Board of Trustees of the District to act on behalf of the District with respect to the 2006C Bond Resolution and the 2006 District Bonds.

"*Escrow Agreement*" means that certain Escrow Deposit and Trust Agreement, dated the Closing Date, by and between the District and the Escrow Bank, relating to the defeasance of the 2009 Certificates.

"*Escrow Bank*" means U.S. Bank National Association, as escrow bank under the Escrow Agreement.

"*Escrow Fund*" means the fund by that name established and held by the Escrow Bank under and pursuant to the Escrow Agreement.

"*Fair Market Value*" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

"*Federal Securities*" means United States Treasury 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.

"*Net Proceeds*," when used with reference to the 2006 District Bonds, means the face amount of the 2006 District Bonds, plus accrued interest and premium, if any, less original issue discount, if any.

"*Original Purchaser*" means the first purchaser of the 2006 District Bonds from the District.

"*Outstanding*," when used as of any particular time with reference to 2006 District Bonds, means all 2006 District Bonds except:

(a) 2006 District Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation;

(b) 2006 District Bonds paid or deemed to have been paid; and

(c) 2006 District Bonds in lieu of or in substitution for which other 2006 District Bonds shall have been authorized, executed, issued and delivered by the District pursuant to the 2006C Bond Resolution.

"*Owner*" or "*Bondowner*" mean any person who shall be the registered owner of any Outstanding 2006 District Bond.

"*Participating Underwriter*" shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

"*Paying Agent*" means The Bank of New York Mellon Trust Company, N.A., the Paying Agent appointed by the District and acting as paying agent, registrar and authenticating agent for the 2006 District Bonds, or such other paying agent as shall be appointed by the District prior to the delivery of the 2006 District Bonds, its successors and assigns, and any other corporation or association which may at any time be substituted in its place.

"*Principal*" or "*Principal Amount*" means, with respect to any 2006 District Bond, the principal or principal amount thereof.

"*Principal Office*" means the principal corporate trust office of the Paying Agent in San Francisco, California.

"*Record Date*" means the 15th day of the month preceding each Bond Payment Date.

"*Regulations*" means temporary and permanent regulations promulgated under the Code.

"*Resolution*" means Resolution No. 10-91, adopted by the Board of Trustees of the District on June 22, 2010, including all amendments thereto and supplements thereof which are duly adopted by the Board of Trustees from time to time in accordance therewith.

"*Supplemental Resolution*" means any resolution supplemental to or amendatory of the 2006C Bond Resolution, adopted by the District in accordance with the 2006C Bond Resolution.

"*2006 District Bonds*" means the Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2006, Series C, issued and at any time Outstanding pursuant to the 2006C Bond Resolution.

"*2009 Certificates*" means the Certificates of Participation (2009 Capital Projects) evidencing direct, undivided fractional interests of the owners thereof in lease payments to be made by the District, as the rental for certain property pursuant to a lease agreement with the Pittsburg Unified School District Financing Corporation, currently outstanding in the principal amount of $33,895,000.

"*Written Request of the District*" means an instrument in writing signed by the District Representative or by any other officer of the District duly authorized by the District and listed on a Written Request of the District for that purpose.

Establishment of Funds and Accounts.

Building Fund. A fund, to be known as the "Pittsburg Unified School District, General Obligation Bonds, Election of 2006, Series C, Building Fund" (the "Building Fund"), shall be created and established within the County Treasury. Moneys deposited therein shall be used solely for the purpose for which the 2006 District Bonds are being issued and shall be applied solely to authorized purposes which relate to the acquisition or improvement of real property and for the payment of Costs of Issuance of the 2006 District Bonds to the extent not paid by the original purchaser of the 2006 District Bonds. The interest earned on the moneys deposited to the Building Fund shall be retained in the Building Fund and used for the purposes thereof. At the written request of the District filed with the County, any amounts remaining on deposit in the Building Fund and not needed for the purposes thereof shall be withdrawn from the Building Fund and transferred to the Interest and Sinking Fund, to be applied to the payment of Debt Service. By receipt of a copy of the 2006C Bond Resolution, the County Treasurer and Tax Collector is requested to create and maintain the Building Fund. The County is not responsible for the use of funds disbursed from the Building Fund.

Interest and Sinking Fund. A fund, to be known as the "Pittsburg Unified School District, General Obligation Bonds, Election of 2006, Series C, Interest and Sinking Fund" (the "Interest and Sinking Fund"), shall be created and established within the County Treasury. Moneys deposited therein shall be used only for payment of principal and interest on the 2006 District Bonds. Any excess proceeds of the 2006 District Bonds not needed for the authorized purposes set forth in the 2006C Bond Resolution for which the 2006 District Bonds are being issued shall be transferred to the Interest and Sinking Fund and applied to the payment of principal and interest on the 2006 District Bonds at the direction of the District. If, after payment in full of the 2006 District Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District. Notwithstanding the foregoing provisions, any excess proceeds of the 2006 District Bonds not needed for the authorized purposes set forth in the 2006C Bond Resolution for which the 2006 District Bonds are being issued shall be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law, including but not limited to the requirements of federal tax law (if any) relating to the yield at which such proceeds are permitted to be invested. The interest earned on the moneys deposited to the Interest and Sinking Fund shall be retained in the Interest and Sinking Fund and used for the purposes thereof. By receipt of a copy of the 2006C Bond Resolution, the County Treasurer and Tax Collector is requested to create and maintain the Interest and Sinking Fund.

Costs of Issuance Fund. A fund, to be known as the "Pittsburg Unified School District, General Obligation Bonds, Election of 2006, Series C (2011) Costs of Issuance Fund" (the "Costs of Issuance Fund"), is created and established with the Paying Agent, acting as costs of issuance custodian (the "Custodian") for the 2006 District Bonds. Moneys deposited therein shall be used solely for the payment of costs of issuance of the 2006 District Bonds, as provided in the Paying Agent/Bond Registrar/Costs of Issuance Agreement.

Investment. Moneys on deposit in the Building Fund and in the Interest and Sinking Fund shall be invested (1) as permitted by section 53601 of the California Government Code, (2) in the Contra Costa County Treasurer's Pool, (3) in the Local Agency Investment Fund (maintained by the State Treasurer), or (4) in one or more investment agreements and/or guaranteed investment contracts, *provided, however*, that such investment agreements and/or guaranteed investment contracts shall comply with the requirements of each rating agency then rating the 2006 District Bonds. In lieu of specific direction by the District, moneys on deposit in the Building Fund and in the Interest and Sinking Fund shall be invested in the Contra Costa County Treasurer's Pool.

Security for the 2006 District Bonds

There shall be levied by the County on all the taxable property in the District, in addition to all other taxes, a continuing direct and *ad valorem* tax annually during the period the 2006 District Bonds are outstanding in an amount sufficient to pay the principal of and interest on the 2006 District Bonds when due, which moneys when collected will be placed in the Interest and Sinking Fund of the District, which fund is irrevocably pledged for the payment of the principal of and interest on the 2006 District Bonds when and as the same fall due. The moneys in the Interest and Sinking Fund, to the extent necessary to pay the principal of and interest on the 2006 District Bonds as the same become due and payable, shall be transferred by the County to the Paying Agent, as paying agent for the 2006 District Bonds, as necessary to pay the principal of and interest on the 2006 District Bonds.

Covenants of the District

Punctual Payment. The District will punctually pay, or cause to be paid, the principal of and interest on the 2006 District Bonds, in strict conformity with the terms of the 2006 District Bonds and of the 2006C Bond Resolution, and it will faithfully observe and perform all of the conditions, covenants and requirements of the 2006C Bond Resolution and of the 2006 District Bonds. Nothing contained in the 2006C Bond Resolution shall prevent the District from making advances of its own moneys, howsoever derived, to any of the uses or purposes permitted by law.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the District will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the 2006 District Bonds and will not, directly or indirectly, approve any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the District, such claim for interest so extended or funded shall not be entitled, in case of default under the 2006C Bond Resolution, to the benefits of the 2006C Bond Resolution, except subject to the prior payment in full of the principal of all of the 2006 District Bonds then Outstanding and of all claims for interest which shall not have so extended or funded.

Protection of Security and Rights of Bondowners. The District will preserve and protect the security of the 2006 District Bonds and the rights of the Bondowners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the 2006 District Bonds by the District, the 2006 District Bonds shall be incontestable by the District.

Tax Covenants.

(a) *Private Activity Bond Limitation*. The District shall assure that the proceeds of the Authority Bonds are not so used as to cause the Authority Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) *Federal Guarantee Prohibition*. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Authority Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(c) *Rebate Requirement*. The District shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Authority Bonds. The District shall retain a qualified rebate analyst to perform any and all calculations required to demonstrate compliance with the foregoing covenant.

(d) *No Arbitrage*. The District shall not take, or permit or suffer to be taken, any action with respect to the proceeds of the Authority Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Authority Bonds would have caused the Authority Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

(e) *Maintenance of Tax-Exemption*. The District shall take all actions necessary to assure the exclusion of interest on the Authority Bonds from the gross income of the Owners of the Authority Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Authority Bonds.

Continuing Disclosure. The District covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the 2006C Bond Resolution, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an event of default; however, any holder or beneficial owner of the Authority Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate of specific performance by court order.

Events of Default and Remedies of Bondowners

Events of Default. The following events ("events of default") shall be events of default under the 2006C Bond Resolution:

(a) if default shall be made in the due and punctual payment of the principal of on any 2006 District Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made in the due and punctual payment of any installment of interest on any 2006 District Bond when and as such interest installment shall become due and payable;

(c) if default shall be made by the District in the observance of any of the covenants, agreements or conditions on its part in the 2006C Bond Resolution or in the 2006 District Bonds contained, and such default shall have continued for a period of thirty (30) days after written notice thereof to the District; or

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

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

(a) by mandamus, suit, action or proceeding, to compel the District and its members, officers, agents or employees to perform each and every term, provision and covenant contained in the 2006C Bond Resolution and in the 2006 District Bonds, and to require the carrying out of any or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it;

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

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

Remedies Not Exclusive. No remedy conferred upon the Owners of 2006 District Bonds shall be exclusive of any other remedy and that each and every remedy shall be cumulative and shall be in addition to every other remedy given under the 2006C Bond Resolution or thereafter conferred on the Bondowners.

Defeasance

Discharge of Resolution. 2006 District Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable under the 2006C Bond Resolution by the District:

(i) by paying or causing to be paid the principal or redemption price of and interest on 2006 District Bonds Outstanding, as and when the same become due and payable;

(ii) by depositing, in trust, at or before maturity, money or securities in the necessary amount to pay or redeem 2006 District Bonds Outstanding; or

(iii) by delivering to the Paying Agent, for cancellation by it, 2006 District Bonds Outstanding.

If the District shall pay all 2006 District Bonds Outstanding and shall also pay or cause to be paid all other sums payable under the 2006C Bond Resolution by the District, then and in that case, at the election of the District (evidenced by a certificate of a District Representative, filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and the 2006C Bond Resolution), and notwithstanding that any 2006 District Bonds shall not have been surrendered for payment, the 2006C Bond Resolution and other assets made under the 2006C Bond Resolution and all covenants, agreements and other obligations of the District under the 2006C Bond Resolution shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon request of the District, the Paying Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it pursuant to the 2006C Bond Resolution which are not required for the payment or redemption of 2006 District Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on 2006 District Bonds. Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount, provided that, if such 2006 District Bond is to be redeemed prior to maturity, notice of such redemption shall have been given or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, then all liability of the District in respect of such 2006 District Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such 2006 District Bond by the District, and the District shall remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment.

The District may at any time surrender to the Paying Agent for cancellation by it any 2006 District Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such 2006 District Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities with Paying Agent. Whenever in the 2006C Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any 2006 District Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established pursuant to the 2006C Bond Resolution and shall be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such 2006 District Bonds and all unpaid interest thereon to maturity, except that, in the case of 2006 District Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or redemption price of such 2006 District Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the 2006 District Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of 2006 District Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or provision satisfactory to the Paying Agent shall have been made for the giving of such notice;

provided, in each case, that the Paying Agent shall have been irrevocably instructed (by the terms of the 2006C Bond Resolution or by request of the District) to apply such money to the payment of such principal or redemption price and interest with respect to such 2006 District Bonds.

Payment of 2006 District Bonds After Discharge of Resolution. Notwithstanding any provisions of the 2006C Bond Resolution, any moneys held by the Paying Agent in trust for the payment of the principal or redemption price of, or interest on, any 2006 District Bonds and remaining unclaimed for one year after the principal of all of the 2006 District Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the 2006C Bond Resolution), if such moneys were so held at such date, or one year after the date of deposit of such moneys if deposited after said date when all of the 2006 District Bonds became due and payable, shall, upon request of the District, be repaid to the District free from the trusts created by the 2006C Bond Resolution, and all liability of the Paying Agent with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the District as aforesaid, the Paying Agent may (at the cost of the District) first mail to the Owners of all 2006 District Bonds which have not been paid at the addresses shown on the registration books maintained by the Paying Agent a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the 2006 District Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

2010A BOND RESOLUTION

The following is a brief summary of certain provisions of the 2010A Resolution. Such summary is not intended to be definitive, and reference is made to the 2010A Resolution, copies of which may be obtained from the District for the complete terms thereof.

Definitions

"*Act*" means Article 4.5 of Chapter 3 of Part 1, of Division 2 of Title 5 (commencing with section 53506) of the California Government Code, as is in effect on the date of adoption of the 2006C Bond Resolution and as amended hereafter.

"*Authority*" means the Pittsburg Unified School District Financing Authority, purchaser of the 2010 District Bonds on the Closing Date.

"*Authority Bonds*" means the Pittsburg Unified School District Financing Authority 2011 General Obligation Revenue Bonds (Pittsburg Unified School District Bond Program), to be secured by the Authority's purchase of the 2010 District Bonds and certain other bonds of the District.

"*Authorized Investments*" means any investments permitted by law to be made with moneys belonging to, or in the custody of, the District, but only to the extent that the same are acquired at Fair Market Value.

"*Board*" means the Board of Trustees of the District.

"*Bond Counsel*" means any attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax exempt status of securities issued by public entities.

"*Bond Payment Date*" means, with respect to principal of and interest on the 2010 District Bonds, February 1 and August 1 of each year commencing on February 1, 2012.

"*Bond Register*" means the registration books for the 2010 District Bonds maintained by the Paying Agent.

"*Closing Date*" means the date of delivery of the 2010 District Bonds to the Authority.

"*Code*" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the 2010 District Bonds or (except as otherwise referenced in the 2010A Bond Resolution) as it may be amended to apply to obligations issued on the date of issuance of the 2010 District Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"*Continuing Disclosure Certificate*" shall mean that certain Continuing Disclosure Certificate executed by the District and dated the date of issuance and delivery of the Authority Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"*Costs of Issuance*" means all items of expense directly or indirectly reimbursable to the District relating to the issuance, execution and delivery of the 2010 District Bonds including, but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, legal fees and charges, fees and expenses of the Paying Agent, financial and other professional consultant fees, costs of obtaining credit ratings, fees for execution, transportation and safekeeping of the 2010 District Bonds and charges and fees in connection with the foregoing.

"*County*" means Contra Costa County, California.

"*Debt Service*" means the scheduled amount of interest and amortization of principal payable on the 2010 District Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"*District Representative*" means the Superintendent, the Assistant Superintendent or any other person authorized by resolution of the Board of Trustees of the District to act on behalf of the District with respect to the 2010A Bond Resolution and the 2010 District Bonds.

"*Fair Market Value*" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

"*Federal Securities*" means United States Treasury 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.

"*Net Proceeds*," when used with reference to the 2010 District Bonds, means the face amount of the 2010 District Bonds, plus accrued interest and premium, if any, less original issue discount, if any.

"*Original Purchaser*" means the first purchaser of the 2010 District Bonds from the District.

"*Outstanding*," when used as of any particular time with reference to 2010 District Bonds, means all 2010 District Bonds except:

(a) 2010 District Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation;

(b) 2010 District Bonds paid or deemed to have been paid; and

(c) 2010 District Bonds in lieu of or in substitution for which other 2010 District Bonds shall have been authorized, executed, issued and delivered by the District pursuant to the 2010A Bond Resolution.

"*Owner*" or "*Bondowner*" mean any person who shall be the registered owner of any Outstanding 2010 District Bond.

"*Participating Underwriter*" shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

"*Paying Agent*" means The Bank of New York Mellon Trust Company, N.A., the Paying Agent appointed by the District and acting as paying agent, registrar and authenticating agent for the 2010 District Bonds, or such other paying agent as shall be appointed by the District prior to the delivery of the 2010 District Bonds, its successors and assigns, and any other corporation or association which may at any time be substituted in its place.

"*Principal*" or "*Principal Amount*" means, with respect to any 2010 District Bond, the principal or principal amount thereof.

"*Principal Office*" means the principal corporate trust office of the Paying Agent in San Francisco, California.

"*Record Date*" means the 15th day of the month preceding each Bond Payment Date.

"*Regulations*" means temporary and permanent regulations promulgated under the Code.

"*Resolution*" means the Resolution No. 10-90, adopted by the Board of Trustees of the District on June 22, 2011, including all amendments thereto and supplements thereof which are duly adopted by the Board of Trustees from time to time in accordance therewith.

"*2010 District Bonds*" means the Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2010, Series A, issued and at any time Outstanding pursuant to the 2010A Bond Resolution.

"*Supplemental Resolution*" means any resolution supplemental to or amendatory of the 2010A Bond Resolution, adopted by the District in accordance with the 2010A Bond Resolution.

"*Written Request of the District*" means an instrument in writing signed by the District Representative or by any other officer of the District duly authorized by the District and listed on a Written Request of the District for that purpose.

Establishment of Funds and Accounts

Building Fund. A fund, to be known as the "Pittsburg Unified School District, General Obligation Bonds, Election of 2010, Series A, Building Fund" (the "Building Fund"), shall be created and established within the County Treasury. Moneys deposited therein shall be used solely for the purpose for which the 2010 District Bonds are being issued and shall be applied solely to authorized purposes which relate to the acquisition or improvement of real property and for the payment of Costs of Issuance of the 2010 District Bonds to the extent not paid by the original purchaser of the 2010 District Bonds. The interest earned on the moneys deposited to the Building Fund shall be retained in the Building Fund and used for the purposes thereof. At the written request of the District filed with the County, any amounts remaining on deposit in the Building Fund and not needed for the purposes thereof shall be withdrawn from the Building Fund and transferred to the Interest and Sinking Fund, to be applied to the payment of Debt Service. By receipt of a copy of the 2010A Bond Resolution, the County Treasurer and Tax Collector is requested to create and maintain the Building Fund. The County is not responsible for the use of funds disbursed from the Building Fund.

Interest and Sinking Fund. A fund, to be known as the "Pittsburg Unified School District, General Obligation Bonds, Election of 2010, Series A, Interest and Sinking Fund" (the "Interest and Sinking Fund"), shall be created and established within the County Treasury. Moneys deposited therein shall be used only for payment of principal and interest on the 2010 District Bonds. Any excess proceeds of the 2010 District Bonds not needed for the authorized purposes set forth in the 2010A Bond Resolution for which the 2010 District Bonds are being issued shall be transferred to the Interest and Sinking Fund and applied to the payment of principal and interest on the 2010 District Bonds at the direction of the District. If, after payment in full of the 2010 District Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District. Notwithstanding the foregoing provisions, any excess proceeds of the 2010 District Bonds not needed for the authorized purposes set forth in the 2010A Bond Resolution for which the 2010 District Bonds are being issued shall be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law, including but not limited to the requirements of federal tax law (if any) relating to the yield at which such proceeds are permitted to be invested. The interest earned on the moneys deposited to the Interest and Sinking Fund shall be retained in the Interest and Sinking Fund and used for the purposes thereof. By receipt of a copy of the 2010A Bond Resolution, the County Treasurer and Tax Collector is requested to create and maintain the Interest and Sinking Fund.

Costs of Issuance Fund. A fund, to be known as the "Pittsburg Unified School District, General Obligation Bonds, Election of 2010, Series A (2011) Costs of Issuance Fund" (the "Costs of Issuance Fund"), is created and established with the Paying Agent, acting as costs of issuance custodian (the "Custodian") for the 2010 District Bonds. Moneys deposited therein shall be used solely for the payment of costs of issuance of the 2010 District Bonds, as provided in the Paying Agent/Bond Registrar/Costs of Issuance Agreement.

Investment. Moneys on deposit in the Building Fund and in the Interest and Sinking Fund shall be invested (1) as permitted by section 53601 of the California Government Code, (2) in the Contra Costa County Treasurer's Pool, (3) in the Local Agency Investment Fund (maintained by the State Treasurer), or (4) in one or more investment agreements and/or guaranteed investment contracts, *provided, however*, that such investment agreements and/or guaranteed investment contracts shall comply with the requirements of each rating agency then rating the 2010 District Bonds. In lieu of specific direction by the District, moneys on deposit in the Building Fund and in the Interest and Sinking Fund shall be invested in the Contra Costa County Treasurer's Pool.

Security for the 2010 District Bonds

There shall be levied by the County on all the taxable property in the District, in addition to all other taxes, a continuing direct and *ad valorem* tax annually during the period the 2010 District Bonds are outstanding in an amount sufficient to pay the principal of and interest on the 2010 District Bonds when due, which moneys when collected will be placed in the Interest and Sinking Fund of the District, which fund is irrevocably pledged for the payment of the principal of and interest on the 2010 District Bonds when and as the same fall due. The moneys in the Interest and Sinking Fund, to the extent necessary to pay the principal of and interest on the 2010 District Bonds as the same become due and payable, shall be transferred by the County to the Paying Agent, as paying agent for the 2010 District Bonds, as necessary to pay the principal of and interest on the 2010 District Bonds.

Covenants of the District

Punctual Payment. The District will punctually pay, or cause to be paid, the principal of and interest on the 2010 District Bonds, in strict conformity with the terms of the 2010 District Bonds and of the 2010A Bond Resolution, and it will faithfully observe and perform all of the conditions, covenants and requirements of the 2010A Bond Resolution and of the 2010 District Bonds. Nothing contained in the 2010A Bond Resolution shall prevent the District from making advances of its own moneys, howsoever derived, to any of the uses or purposes permitted by law.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the District will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the 2010 District Bonds and will not, directly or indirectly, approve any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the District, such claim for interest so extended or funded shall not be entitled, in case of default under the 2010A Bond Resolution, to the benefits of the 2010A Bond Resolution, except subject to the prior payment in full of the principal of all of the 2010 District Bonds then Outstanding and of all claims for interest which shall not have so extended or funded.

Protection of Security and Rights of Bondowners. The District will preserve and protect the security of the 2010 District Bonds and the rights of the Bondowners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the 2010 District Bonds by the District, the 2010 District Bonds shall be incontestable by the District.

Tax Covenants.

(a) *Private Activity Bond Limitation*. The District shall assure that the proceeds of the Authority Bonds are not so used as to cause the Authority Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) *Federal Guarantee Prohibition*. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Authority Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(c) *Rebate Requirement*. The District shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Authority Bonds. The District shall retain a qualified rebate analyst to perform any and all calculations required to demonstrate compliance with the foregoing covenant.

(d) *No Arbitrage*. The District shall not take, or permit or suffer to be taken, any action with respect to the proceeds of the Authority Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Authority Bonds would have caused the Authority Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

(e) *Maintenance of Tax-Exemption*. The District shall take all actions necessary to assure the exclusion of interest on the Authority Bonds from the gross income of the Owners of the Authority Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Authority Bonds.

Continuing Disclosure. The District covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the 2010A Bond Resolution, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an event of default; however, any holder or beneficial owner of the Authority Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate of specific performance by court order.

Events of Default and Remedies of Bondowners

Events of Default. The following events ("events of default") shall be events of default under the 2010A Bond Resolution:

(a) if default shall be made in the due and punctual payment of the principal of on any 2010 District Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made in the due and punctual payment of any installment of interest on any 2010 District Bond when and as such interest installment shall become due and payable;

(c) if default shall be made by the District in the observance of any of the covenants, agreements or conditions on its part in the 2010A Bond Resolution or in the 2010 District Bonds contained, and such default shall have continued for a period of thirty (30) days after written notice thereof to the District; or

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

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

(a) by mandamus, suit, action or proceeding, to compel the District and its members, officers, agents or employees to perform each and every term, provision and covenant contained in the 2010A Bond Resolution and in the 2010 District Bonds, and to require the carrying out of any or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it;

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

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

Remedies Not Exclusive. No remedy conferred upon the Owners of 2010 District Bonds shall be exclusive of any other remedy and that each and every remedy shall be cumulative and shall be in addition to every other remedy given under the 2010A Bond Resolution or thereafter conferred on the Bondowners.

Defeasance

Discharge of Resolution. 2010 District Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable under the 2010A Bond Resolution by the District:

(i) by paying or causing to be paid the principal or redemption price of and interest on 2010 District Bonds Outstanding, as and when the same become due and payable;

(ii) by depositing, in trust, at or before maturity, money or securities in the necessary amount to pay or redeem 2010 District Bonds Outstanding; or

(iii) by delivering to the Paying Agent, for cancellation by it, 2010 District Bonds Outstanding.

If the District shall pay all 2010 District Bonds Outstanding and shall also pay or cause to be paid all other sums payable under the 2010A Bond Resolution by the District, then and in that case, at the election of the District (evidenced by a certificate of a District Representative, filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and the 2010A Bond Resolution), and notwithstanding that any 2010 District Bonds shall not have been surrendered for payment, the 2010A Bond Resolution and other assets made under the 2010A Bond Resolution and all covenants, agreements and other obligations of the District under the 2010A Bond Resolution shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon request of the District, the Paying Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it pursuant to the 2010A Bond Resolution which are not required for the payment or redemption of 2010 District Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on 2010 District Bonds. Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount, provided that, if such 2010 District Bond is to be redeemed prior to maturity, notice of such redemption shall have been given or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, then all liability of the District in respect of such 2010 District Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such 2010 District Bond by the District, and the District shall remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment.

The District may at any time surrender to the Paying Agent for cancellation by it any 2010 District Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such 2010 District Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities with Paying Agent. Whenever in the 2010A Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any 2010 District Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established pursuant to the 2010A Bond Resolution and shall be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such 2010 District Bonds and all unpaid interest thereon to maturity, except that, in the case of 2010 District Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or redemption price of such 2010 District Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the 2010 District Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of 2010 District Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or provision satisfactory to the Paying Agent shall have been made for the giving of such notice;

provided, in each case, that the Paying Agent shall have been irrevocably instructed (by the terms of the 2010A Bond Resolution or by request of the District) to apply such money to the payment of such principal or redemption price and interest with respect to such 2010 District Bonds.

Payment of 2010 District Bonds After Discharge of Resolution. Notwithstanding any provisions of the 2010A Bond Resolution, any moneys held by the Paying Agent in trust for the payment of the principal or redemption price of, or interest on, any 2010 District Bonds and remaining unclaimed for one year after the principal of all of the 2010 District Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the 2010A Bond Resolution), if such moneys were so held at such date, or one year after the date of deposit of such moneys if deposited after said date when all of the 2010 District Bonds became due and payable, shall, upon request of the District, be repaid to the District free from the trusts created by the 2010A Bond Resolution, and all liability of the Paying Agent with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the District as aforesaid, the Paying Agent may (at the cost of the District) first mail to the Owners of all 2010 District Bonds which have not been paid at the addresses shown on the registration books maintained by the Paying Agent a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the 2010 District Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

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APPENDIX D

FORM OF FINAL OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Pittsburg Unified School District Financing Authority
2000 Railroad Avenue
Pittsburg, California 94565

OPINION: $59,999,952 Pittsburg Unified School District Financing Authority 2011 General Obligation Revenue Bonds (Pittsburg Unified School District Bond Program)

Members of the Authority:

We have acted as bond counsel to the Pittsburg Unified School District Financing Authority (the "Authority") in connection with the delivery by the Authority of $59,999,952 aggregate principal amount of its bonds designated the "Pittsburg Unified School District Financing Authority 2011 General Obligation Revenue Bonds (Pittsburg Unified School District Bond Program)" (the "Bonds"), issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with section 6584) of Chapter 5, Division 7, Title 1 of the California Government Code (the "Bond Law"), and pursuant to an Indenture of Trust, dated as of July1, 2011 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, and a resolution adopted by the board of directors of the Authority on June 22, 2011. The Bonds have been issued by the Authority to provide funds to finance the acquisition by the Authority of the Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2006, Series C (2011) and the Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2010, Series A (2011). We have examined the Bond Law, the Indenture and such certified proceedings and other papers as we deem necessary to render this opinion.

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

Based upon our examination we are of the opinion, under existing law, that:

1. The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the Authority and are legal, valid and binding obligations of the Authority, payable solely from the sources provided therefor in the Indenture.

3. The Indenture has been duly approved by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

4. The Indenture establishes a valid first and exclusive lien on and pledge of the Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.

5. It is our opinion that, subject to compliance by the Authority and the Pittsburg Unified School District (the "District") with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such Authority and District covenants could cause the interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

In rendering this opinion, we have relied upon certifications of the Authority and the District with respect to certain material facts within the Authority's and the District's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion, and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the PITTSBURG UNIFIED SCHOOL DISTRICT (the "District") in connection with the issuance by the Pittsburg Unified School District Financing Authority (the "Authority") of its $59,999,952 Pittsburg Unified School District Financing Authority 2011 General Obligation Revenue Bonds (Pittsburg Unified School District Bond Program) (the "Bonds"). The Bonds are being issued pursuant to an indenture of trust, dated as of July1, 2011, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Indenture"), and a resolution adopted by the Board Directors of the Authority on June 22, 2011. The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

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

"*Beneficial Owner*" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Dissemination Agent*" shall mean KNN Public Finance or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

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

"*Participating Underwriter*" shall mean the original underwriter of the Bonds, required to comply with the Rule in connection with offering of the Bonds.

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

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2010-11 Fiscal Year, which is due not later than March 31, 2012, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance*. If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

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

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Bonds, as follows:

(i) The District's approved budget for the then current fiscal year;
(ii) Assessed value of taxable property in the District as shown on the recent equalized assessment role; and
(iii) Property tax levies, collections and delinquencies for the District, for the most recent completed fiscal year.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination (if not the District) to, give notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.
(2) Unscheduled draws on debt service reserves reflecting financial difficulties.
(3) Unscheduled draws on credit enhancements reflecting financial difficulties.
(4) Substitution of credit or liquidity providers, or their failure to perform.
(5) Defeasances.
(6) Rating changes.
(7) Tender offers.
(8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
(9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Non-payment related defaults.
(2) Modifications to rights of security holders.
(3) Bond calls.
(4) The release, substitution, or sale of property securing repayment of the securities.
(5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Indenture.

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

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

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent*. In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

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

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

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners.

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

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Paying Agent under the Indenture. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Date: [Closing Date]

PITTSBURG UNIFIED SCHOOL DISTRICT

By ____
Name ______________________________________
Title _______________________________________

ACKNOWLEDGED:

KNN PUBLIC FINANCE, as Dissemination Agent

By ____
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Pittsburg Unified School District Financing Authority
Name of Obligor:	Pittsburg Unified School District
Name of Issue:	Pittsburg Unified School District Financing Authority 2011 General Obligation Revenue Bonds (Pittsburg Unified School District Bond Program)
Date of Issuance:	[Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by _____________.

Dated: ______________________

KNN PUBLIC FINANCE, as Dissemination Agent

By ____
Title ______________________________________

cc: Paying Agent

APPENDIX F

BOOK-ENTRY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede &Co. or such other name as requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the

Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the District determines that DTC shall no longer act and delivers a written certificate to the Paying Agent to that effect, then the District will discontinue the Book-Entry System with DTC for the Bonds. If the District determines to replace DTC with another qualified securities depository, the District will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Resolution. If the District fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) payment of principal of and interest on the Bonds will be payable upon surrender thereof at the trust office of the Paying Agent identified in the Resolution, and (iii) the Bonds will be transferable and exchangeable as provided in the Resolution.

The District and the Paying Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of and interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Resolution; (iv) any consent given or other action taken by DTC as registered owner; or (v) any other matter arising with respect to the Bonds or the Resolution. The District and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of and interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The District and the Paying Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

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APPENDIX G

ACCRETED VALUE TABLES

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Pittsburg Unified School District Financing Authority
2011 General Obligation Revenue Bonds
Table of Accreted Values - Delivery Date: 7/14/2011

	2020 Serial	2021 Serial	2022 Serial	2023 Serial	2024 Serial	2025 Serial	2026 Serial	2027 Serial	2028 Serial	2029 Serial	2030 Serial	2031 Serial
Final CAB Maturity	**9/1/2020**	**9/1/2021**	**9/1/2022**	**9/1/2023**	**9/1/2024**	**9/1/2025**	**9/1/2026**	**9/1/2027**	**9/1/2028**	**9/1/2029**	**9/1/2030**	**9/1/2031**
Maturity Value	175,000	350,000	550,000	750,000	950,000	1,175,000	1,375,000	1,600,000	1,850,000	1,850,001	2,350,000	2,625,000
Accretion Rate	10.976%	10.976%	10.976%	10.976%	10.976%	10.976%	10.976%	10.976%	10.976%	7.120%	7.210%	7.300%
Price	37.695%	33.875%	30.442%	27.356%	24.584%	22.093%	19.854%	17.842%	16.033%	28.126%	25.793%	23.613%
Date	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000
7/14/2011	1,884.75	1,693.75	1,522.10	1,367.80	1,229.20	1,104.65	992.70	892.10	801.65	1,406.30	1,289.65	1,180.65
9/1/2011	1,911.23	1,717.54	1,543.48	1,387.02	1,246.47	1,120.17	1,006.65	904.63	812.91	1,419.20	1,301.63	1,191.75
3/1/2012	2,016.12	1,811.80	1,628.19	1,463.14	1,314.88	1,181.64	1,061.89	954.28	857.53	1,469.73	1,348.56	1,235.25
9/1/2012	2,126.76	1,911.24	1,717.54	1,543.44	1,387.04	1,246.49	1,120.17	1,006.65	904.59	1,522.05	1,397.17	1,280.34
3/1/2013	2,243.48	2,016.12	1,811.80	1,628.14	1,463.16	1,314.90	1,181.64	1,061.89	954.23	1,576.24	1,447.54	1,327.07
9/1/2013	2,366.60	2,126.77	1,911.24	1,717.50	1,543.46	1,387.06	1,246.49	1,120.17	1,006.60	1,632.35	1,499.73	1,375.51
3/1/2014	2,496.48	2,243.49	2,016.12	1,811.76	1,628.16	1,463.18	1,314.90	1,181.65	1,061.85	1,690.47	1,553.79	1,425.72
9/1/2014	2,633.49	2,366.61	2,126.77	1,911.19	1,717.52	1,543.48	1,387.06	1,246.49	1,120.12	1,750.65	1,609.81	1,477.76
3/1/2015	2,778.02	2,496.49	2,243.49	2,016.08	1,811.78	1,628.19	1,463.18	1,314.90	1,181.60	1,812.97	1,667.85	1,531.70
9/1/2015	2,930.47	2,633.50	2,366.61	2,126.72	1,911.21	1,717.54	1,543.48	1,387.06	1,246.45	1,877.52	1,727.97	1,587.61
3/1/2016	3,091.30	2,778.02	2,496.49	2,243.44	2,016.10	1,811.80	1,628.19	1,463.19	1,314.85	1,944.36	1,790.27	1,645.56
9/1/2016	3,260.95	2,930.48	2,633.50	2,366.56	2,126.74	1,911.24	1,717.54	1,543.49	1,387.01	2,013.58	1,854.81	1,705.62
3/1/2017	3,439.91	3,091.31	2,778.02	2,496.44	2,243.46	2,016.12	1,811.80	1,628.19	1,463.14	2,085.26	1,921.68	1,767.88
9/1/2017	3,628.70	3,260.96	2,930.48	2,633.45	2,366.59	2,126.77	1,911.23	1,717.55	1,543.43	2,159.50	1,990.95	1,832.41
3/1/2018	3,827.84	3,439.92	3,091.31	2,777.98	2,496.47	2,243.49	2,016.12	1,811.81	1,628.14	2,236.38	2,062.73	1,899.29
9/1/2018	4,037.92	3,628.70	3,260.96	2,930.44	2,633.47	2,366.61	2,126.77	1,911.24	1,717.50	2,316.00	2,137.09	1,968.61
3/1/2019	4,259.52	3,827.85	3,439.92	3,091.27	2,778.00	2,496.49	2,243.49	2,016.13	1,811.75	2,398.45	2,214.14	2,040.47
9/1/2019	4,493.28	4,037.92	3,628.70	3,260.92	2,930.46	2,633.50	2,366.61	2,126.77	1,911.19	2,483.83	2,293.96	2,114.95
3/1/2020	4,739.87	4,259.52	3,827.85	3,439.89	3,091.29	2,778.02	2,496.49	2,243.49	2,016.08	2,572.26	2,376.66	2,192.15
9/1/2020	5,000.00	4,493.28	4,037.92	3,628.67	3,260.94	2,930.48	2,633.50	2,366.61	2,126.72	2,663.84	2,462.34	2,272.16
3/1/2021		4,739.88	4,259.52	3,827.82	3,439.90	3,091.31	2,778.02	2,496.49	2,243.44	2,758.67	2,551.11	2,355.10
9/1/2021		5,000.00	4,493.28	4,037.90	3,628.69	3,260.96	2,930.48	2,633.50	2,366.56	2,856.88	2,643.08	2,441.06
3/1/2022			4,739.88	4,259.50	3,827.83	3,439.92	3,091.31	2,778.03	2,496.44	2,958.59	2,738.36	2,530.16
9/1/2022			5,000.00	4,493.27	4,037.91	3,628.70	3,260.96	2,930.48	2,633.45	3,063.92	2,837.08	2,622.51
3/1/2023				4,739.87	4,259.51	3,827.85	3,439.92	3,091.31	2,777.98	3,172.99	2,939.36	2,718.24
9/1/2023				5,000.00	4,493.28	4,037.92	3,628.70	3,260.96	2,930.44	3,285.96	3,045.33	2,817.45
3/1/2024					4,739.87	4,259.52	3,827.85	3,439.92	3,091.27	3,402.94	3,155.12	2,920.29
9/1/2024					5,000.00	4,493.28	4,037.92	3,628.70	3,260.92	3,524.08	3,268.86	3,026.88
3/1/2025						4,739.88	4,259.52	3,827.85	3,439.89	3,649.54	3,386.71	3,137.37
9/1/2025						5,000.00	4,493.28	4,037.92	3,628.67	3,779.47	3,508.80	3,251.88
3/1/2026							4,739.88	4,259.52	3,827.82	3,914.02	3,635.30	3,370.58
9/1/2026							5,000.00	4,493.28	4,037.90	4,053.37	3,766.35	3,493.61
3/1/2027								4,739.88	4,259.50	4,197.67	3,902.13	3,621.13
9/1/2027								5,000.00	4,493.27	4,347.11	4,042.81	3,753.30
3/1/2028									4,739.87	4,501.87	4,188.56	3,890.30
9/1/2028									5,000.00	4,662.14	4,339.56	4,032.30
3/1/2029										4,828.12	4,496.00	4,179.48
9/1/2029										5,000.00	4,658.09	4,332.03
3/1/2030											4,826.02	4,490.15
9/1/2030											5,000.00	4,654.05
3/1/2031												4,823.92
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Pittsburg Unified School District Financing Authority
2011 General Obligation Revenue Bonds
Table of Accreted Values - Delivery Date: 7/14/2011

	2032 Serial	2033 Serial	2034 Serial	2035 Serial	2036 Serial	2037 Serial	2038 Serial	2039 Serial	2040 Serial	2041 Serial	2042 Serial
Final CAB Maturity	**9/1/2032**	**9/1/2033**	**9/1/2034**	**9/1/2035**	**9/1/2036**	**9/1/2037**	**9/1/2038**	**9/1/2039**	**9/1/2040**	**9/1/2041**	**9/1/2042**
Maturity Value	2,900,000	3,175,000	3,475,000	3,775,000	4,100,000	4,425,000	4,675,000	4,925,000	8,350,000	8,625,000	2,425,000
Accretion Rate	7.410%	7.490%	7.570%	7.630%	7.660%	7.680%	7.680%	7.690%	7.700%	10.976%	10.976%
Price	21.492%	19.646%	17.930%	16.416%	15.121%	13.956%	12.942%	11.970%	11.069%	3.997%	3.592%
Date	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000
7/14/2011	1,074.60	982.30	896.50	820.80	756.05	697.80	647.10	598.50	553.45	199.85	179.60
9/1/2011	1,084.86	991.78	905.24	828.86	763.51	704.70	653.50	604.43	558.94	202.66	182.12
3/1/2012	1,125.05	1,028.92	939.50	860.48	792.75	731.76	678.59	627.67	580.46	213.78	192.12
9/1/2012	1,166.74	1,067.45	975.06	893.31	823.11	759.86	704.65	651.80	602.80	225.51	202.66
3/1/2013	1,209.96	1,107.43	1,011.97	927.39	854.64	789.04	731.71	676.86	626.01	237.89	213.78
9/1/2013	1,254.79	1,148.90	1,050.27	962.77	887.37	819.34	759.81	702.89	650.12	250.94	225.52
3/1/2014	1,301.28	1,191.93	1,090.03	999.50	921.36	850.80	788.99	729.92	675.15	264.72	237.89
9/1/2014	1,349.50	1,236.56	1,131.29	1,037.63	956.65	883.47	819.29	757.98	701.14	279.24	250.95
3/1/2015	1,399.50	1,282.87	1,174.11	1,077.22	993.29	917.40	850.75	787.13	728.13	294.57	264.72
9/1/2015	1,451.35	1,330.92	1,218.55	1,118.32	1,031.33	952.62	883.42	817.40	756.17	310.74	279.25
3/1/2016	1,505.12	1,380.76	1,264.67	1,160.98	1,070.83	989.21	917.34	848.83	785.28	327.79	294.57
9/1/2016	1,560.89	1,432.47	1,312.54	1,205.27	1,111.84	1,027.19	952.57	881.46	815.52	345.78	310.74
3/1/2017	1,618.72	1,486.12	1,362.22	1,251.25	1,154.43	1,066.64	989.15	915.36	846.91	364.75	327.79
9/1/2017	1,678.69	1,541.77	1,413.78	1,298.99	1,198.64	1,107.59	1,027.14	950.55	879.52	384.77	345.78
3/1/2018	1,740.89	1,599.51	1,467.29	1,348.54	1,244.55	1,150.13	1,066.58	987.11	913.38	405.89	364.76
9/1/2018	1,805.39	1,659.41	1,522.83	1,399.99	1,292.22	1,194.29	1,107.54	1,025.06	948.55	428.17	384.78
3/1/2019	1,872.28	1,721.56	1,580.47	1,453.40	1,341.71	1,240.15	1,150.07	1,064.48	985.07	451.66	405.90
9/1/2019	1,941.65	1,786.03	1,640.30	1,508.85	1,393.10	1,287.77	1,194.23	1,105.41	1,023.00	476.45	428.17
3/1/2020	2,013.59	1,852.92	1,702.38	1,566.41	1,446.46	1,337.22	1,240.09	1,147.91	1,062.38	502.60	451.67
9/1/2020	2,088.20	1,922.31	1,766.82	1,626.17	1,501.86	1,388.57	1,287.71	1,192.05	1,103.29	530.18	476.46
3/1/2021	2,165.57	1,994.30	1,833.69	1,688.21	1,559.38	1,441.90	1,337.16	1,237.89	1,145.77	559.28	502.61
9/1/2021	2,245.80	2,068.98	1,903.10	1,752.61	1,619.11	1,497.26	1,388.51	1,285.48	1,189.88	589.97	530.19
3/1/2022	2,329.01	2,146.47	1,975.14	1,819.48	1,681.12	1,554.76	1,441.84	1,334.91	1,235.69	622.35	559.29
9/1/2022	2,415.30	2,226.85	2,049.90	1,888.89	1,745.51	1,614.46	1,497.20	1,386.24	1,283.27	656.51	589.98
3/1/2023	2,504.79	2,310.25	2,127.49	1,960.95	1,812.36	1,676.46	1,554.70	1,439.55	1,332.67	692.54	622.36
9/1/2023	2,597.59	2,396.77	2,208.01	2,035.76	1,881.78	1,740.83	1,614.40	1,494.90	1,383.98	730.54	656.51
3/1/2024	2,693.83	2,486.53	2,291.59	2,113.42	1,953.85	1,807.68	1,676.40	1,552.38	1,437.27	770.64	692.54
9/1/2024	2,793.64	2,579.65	2,378.33	2,194.05	2,028.68	1,877.10	1,740.77	1,612.07	1,492.61	812.93	730.55
3/1/2025	2,897.15	2,676.26	2,468.35	2,277.75	2,106.38	1,949.18	1,807.62	1,674.06	1,550.07	857.54	770.64
9/1/2025	3,004.49	2,776.48	2,561.78	2,364.65	2,187.06	2,024.03	1,877.04	1,738.43	1,609.75	904.61	812.94
3/1/2026	3,115.81	2,880.46	2,658.74	2,454.86	2,270.83	2,101.75	1,949.12	1,805.27	1,671.73	954.25	857.55
9/1/2026	3,231.25	2,988.33	2,759.38	2,548.52	2,357.80	2,182.46	2,023.97	1,874.69	1,736.09	1,006.62	904.62
3/1/2027	3,350.97	3,100.25	2,863.82	2,645.74	2,448.11	2,266.26	2,101.69	1,946.77	1,802.94	1,061.87	954.26
9/1/2027	3,475.13	3,216.35	2,972.22	2,746.68	2,541.87	2,353.29	2,182.40	2,021.63	1,872.35	1,120.14	1,006.63
3/1/2028	3,603.88	3,336.81	3,084.72	2,851.46	2,639.23	2,443.66	2,266.20	2,099.36	1,944.44	1,181.62	1,061.88
9/1/2028	3,737.41	3,461.77	3,201.48	2,960.25	2,740.31	2,537.49	2,353.23	2,180.09	2,019.30	1,246.47	1,120.15
3/1/2029	3,875.88	3,591.41	3,322.66	3,073.18	2,845.27	2,634.93	2,443.60	2,263.91	2,097.05	1,314.87	1,181.63
9/1/2029	4,019.48	3,725.91	3,448.42	3,190.42	2,954.24	2,736.11	2,537.43	2,350.96	2,177.79	1,387.03	1,246.48
3/1/2030	4,168.41	3,865.45	3,578.95	3,312.14	3,067.39	2,841.18	2,634.88	2,441.36	2,261.63	1,463.16	1,314.88
9/1/2030	4,322.85	4,010.21	3,714.42	3,438.50	3,184.87	2,950.28	2,736.06	2,535.24	2,348.71	1,543.46	1,387.05
3/1/2031	4,483.01	4,160.39	3,855.01	3,569.68	3,306.86	3,063.57	2,841.13	2,632.72	2,439.14	1,628.16	1,463.17
9/1/2031	4,649.11	4,316.20	4,000.93	3,705.86	3,433.51	3,181.22	2,950.23	2,733.95	2,533.05	1,717.52	1,543.47
3/1/2032	4,821.37	4,477.84	4,152.36	3,847.24	3,565.02	3,303.38	3,063.52	2,839.08	2,630.57	1,811.78	1,628.17
9/1/2032	5,000.00	4,645.53	4,309.53	3,994.01	3,701.56	3,430.23	3,181.17	2,948.24	2,731.85	1,911.21	1,717.53
3/1/2033		4,819.51	4,472.65	4,146.38	3,843.33	3,561.95	3,303.33	3,061.61	2,837.03	2,016.10	1,811.79
9/1/2033		5,000.00	4,641.95	4,304.57	3,990.54	3,698.73	3,430.18	3,179.33	2,946.26	2,126.74	1,911.22
3/1/2034			4,817.65	4,468.79	4,143.38	3,840.76	3,561.91	3,301.58	3,059.70	2,243.46	2,016.11
9/1/2034			5,000.00	4,639.27	4,302.07	3,988.24	3,698.69	3,428.53	3,177.50	2,366.58	2,126.75
3/1/2035				4,816.26	4,466.84	4,141.39	3,840.72	3,560.36	3,299.84	2,496.46	2,243.47
9/1/2035				5,000.00	4,637.92	4,300.42	3,988.21	3,697.26	3,426.89	2,633.47	2,366.59
3/1/2036					4,815.56	4,465.56	4,141.37	3,839.43	3,558.83	2,778.00	2,496.47
9/1/2036					5,000.00	4,637.04	4,300.40	3,987.06	3,695.85	2,930.46	2,633.48
3/1/2037						4,815.10	4,465.54	4,140.37	3,838.14	3,091.28	2,778.01
9/1/2037						5,000.00	4,637.02	4,299.57	3,985.91	3,260.94	2,930.47
3/1/2038							4,815.09	4,464.90	4,139.38	3,439.90	3,091.29
9/1/2038							5,000.00	4,636.58	4,298.75	3,628.69	3,260.95
3/1/2039								4,814.86	4,464.25	3,827.83	3,439.91
9/1/2039								5,000.00	4,636.13	4,037.91	3,628.69
3/1/2040									4,814.63	4,259.51	3,827.84
9/1/2040									5,000.00	4,493.28	4,037.91
3/1/2041										4,739.87	4,259.51
9/1/2041										5,000.00	4,493.28
3/1/2042											4,739.87
9/1/2042											5,000.00

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer