TWO NEW ISSUES—BOOK-ENTRY ONLY 2012-1273 and 2012-0332

RATING:
Moody's: "Aa3"
See "RATING" herein.

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel ("Bond Counsel"), interest on the Series B Bonds and the Refunding Bonds (collectively, the "Bonds") is exempt from personal income taxation imposed by the State of California. In the opinion of Bond Counsel, under existing law, the Series B Bonds constitute "qualified school construction bonds" within the meaning of section 54F of the Internal Revenue Code of 1986 (the "Code"), are eligible for the credit payable by the federal government under section 6431(f)(2) of the Code. Interest on the Series B Bonds is includible in gross income of the owners thereof for federal income tax purposes. In the opinion of Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on the Refunding 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. See "TAX MATTERS" herein.

$25,000,000 2012-0332
PITTSBURG UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
Taxable General Obligation Bonds,
Election of 2010, Series B (2012)
(Direct Payment Qualified School Construction Bonds)

$13,265,000 2012-1273
PITTSBURG UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
2012 General Obligation Refunding Bonds

Dated: Date of Delivery **Due: As shown on the inside cover**

The $25,000,000 Pittsburg Unified School District (Contra Costa County, California) Taxable General Obligation Bonds, Election of 2010, Series B (2012) (Direct Payment Qualified School Construction Bonds) (the "Series B Bonds") are being issued by the Pittsburg Unified School District (the "District") pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code (the "Bond Law") and a resolution of the Governing Board of the District (the "Governing Board"). The Series B 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, 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 Series B Bonds.

The District has designated the Series B Bonds as "qualified school construction bonds" under section 54F of the Internal Revenue Code of 1986, making the District eligible for cash subsidy payments from the United States Treasury with respect to the Series B Bonds. Such cash subsidy payments received by the District are referred to herein as "Direct Subsidy Payments." The District has covenanted to deposit the Direct Subsidy Payments with Contra Costa County (the "County") to be credited to the debt service fund established for the Series B Bonds.

The District has previously issued one series of bonds under the 2010 Authorization, totaling $24,999,952. The Series B Bonds constitute the second issue of bonds under the 2010 Authorization.

The $13,265,000 Pittsburg Unified School District (Contra Costa County, California) 2012 General Obligation Refunding Bonds (the "Refunding Bonds") are being issued by the District pursuant to Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code and a resolution of the Governing Board. The Refunding Bonds are being issued to (a) refund, (i) on an advance basis, the Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2004, Series A, maturing on August 1, 2017, through August 1, 2026, in the principal amount of $8,835,000 (the "Refunded 2004A Bonds"), and (ii) on a current basis, the Pittsburg Unified School District (Contra Costa County, California) 2003 General Obligation Refunding Bonds, maturing on and after August 1, 2013, in the principal amount of $5,205,000 (the "Refunded 2003 Bonds"), and (b) pay for costs of issuance of the Refunding Bonds. The Refunded 2004A Bonds were issued to finance educational facilities. The Refunded 2003 Bonds were issued to refund certain prior bonds issued to finance educational facilities.

The Series B Bonds and the Refunding Bonds will be issued as current interest bonds.

The Bonds constitute general obligations of the District. 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 interest on, and principal of, the Bonds upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), all as more fully described herein under "THE SERIES B BONDS," "THE REFUNDING BONDS" and "AD VALOREM PROPERTY TAXATION."

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

The Bonds are subject to redemption prior to maturity as described herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

SEE THE INSIDE COVER

This cover page and the inside cover pages contain information for quick reference only. They are 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 District by Quint & Thimmig LLP, San Francisco, California, Disclosure Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about August 7, 2012.

George K. Baum & Company

July 24, 2012

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

$25,000,000
PITTSBURG UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
Taxable General Obligation Bonds,
Election of 2010, Series B (2012)
(Direct Payment Qualified School Construction Bonds)

Federal Subsidy Rate: 4.11%
CUSIP† Prefix: 724581

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Suffix
2025	$ 9,625,000	4.150%	4.150%	100.000%	MD2
2034	15,375,000	4.920	4.920	100.000	ME0

$13,265,000
PITTSBURG UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
2012 General Obligation Refunding Bonds

CUSIP† Prefix: 724581

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Suffix
2013	$ 485,000	3.000%	0.400%	102.549%	NA7
2014	495,000	4.000	0.610	106.672	NB5
2015	575,000	4.000	0.830	109.321	NC3
2016	600,000	4.000	1.030	111.561	ND1
2017	1,115,000	4.000	1.290	113.039	NE9
2018	1,200,000	4.000	1.550	113.948	NF6
2019	1,270,000	4.500	1.870	117.142	NG4
2020	1,000,000	3.000	2.130	106.355	NH2
2020	370,000	5.000	2.130	120.967	NQ2
2021	1,070,000	5.000	2.320	121.619	NJ8
2022	870,000	5.000	2.450	122.461	NK5
2023	925,000	5.000	2.700	120.009c	NL3
2024	1,000,000	3.000	3.030	99.700	NM1
2025	1,110,000	3.000	3.190	97.992	NN9
2026	1,180,000	3.000	3.300	96.660	NP4

c Priced to 8/1/2022 par call date.

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

DISTRICT ADMINISTRATION

Linda Rondeau, *Superintendent*
Enrique E. Palacios, *Associate Superintendent of Business Services*
Dorothy Epps, *Assistant Superintendent, Human Resources*
Abe Doctolero, *Assistant Superintendent, Educational Services*

PROFESSIONAL SERVICES

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

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

PAYING AGENT, TRANSFER AGENT,
AUTHENTICATION AGENT and
ESCROW BANK
The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

VERIFICATION AGENT
Causey Demgen & Moore, Inc.
Denver, Colorado

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

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

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

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

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

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

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

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

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

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TABLE OF CONTENTS

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

$25,000,000
Taxable General Obligation Bonds,
Election of 2010, Series B (2012)
(Direct Payment Qualified School Construction Bonds)

$13,265,000
2012 General Obligation Refunding Bonds

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of:

- $25,000,000 Taxable General Obligation Bonds, Election of 2010, Series B (2012) (Direct Payment Qualified School Construction Bonds) (the "Series B Bonds")

- $13,265,000 2012 General Obligation Refunding Bonds (the "Refunding Bonds" and, with the Series B Bonds, the "Bonds").

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

The District

The 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 10,000 students. The estimated population of the District is 55,814.

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."

Sources of Payment for the Bonds

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

Authority for Issues; Purpose of Issues

Series B Bonds. The Series B Bonds are issued pursuant to the Constitution and laws of the State of California (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. The Series B Bonds are authorized to be issued pursuant to a resolution (the "Series B Resolution"), adopted by the board of trustees of the District (the "District Board") on June 20, 2012.

The Series B 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, 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 Series B Bonds.

The District has designated the Series B Bonds as "qualified school construction bonds" under section 54F of the Internal Revenue Code of 1986 (the "Code"), making the District eligible for cash subsidy payments from the United States Treasury with respect to the Series B Bonds. Such cash subsidy payments received by the District are referred to herein as "Subsidy Payments." The District has covenanted to deposit the Subsidy Payments with the County to be credited to the debt service fund established for the Series B Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS— Series B Bonds are Qualified School Construction Bonds."

Refunding Bonds. The Refunding Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code. The Refunding Bonds are authorized to be issued pursuant to a resolution (the "Refunding Bond Resolution"), adopted by the District Board on June 20, 2012. The California Government Code permits the issuance of bonds payable from *ad valorem* taxes without a vote of the electors solely in order to refund other outstanding bonds which were originally approved by such a vote, provided that the total debt service to maturity on the refunding bonds does not exceed the total debt service to maturity on the bonds being refunded.

The Refunding Bonds are being issued to (a) refund, (i) on an advance basis, the Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2004, Series A, maturing on August 1, 2017, through August 1, 2026, in the principal amount of $8,835,000 (the "Refunded 2004A Bonds"), and (ii) on a current basis, the Pittsburg Unified School District (Contra Costa County, California) 2003 General Obligation Refunding Bonds, maturing on and after August 1, 2013, in the principal amount of $5,205,000 (the "Refunded 2003 Bonds"), and (b) pay for costs of issuance of the Refunding Bonds. The Refunded 2004A Bonds were issued to finance educational facilities. The Refunded 2003 Bonds were issued to refund certain prior bonds issued to finance educational facilities.

Prior Bonds Under the 2010 Authorization

The District has previously issued its General Obligation Bonds, Election of 2010, Series A (2011) under the 2010 Authorization in the original principal amount of $24,999,952. The Series B Bonds are the second issue under the 2010 Authorization.

QSCB Allocation

In February, 2009, as part of the American Recovery and Reinvestment Act of 2009, signed into law on February 17, 2009 (the "Recovery Act"), Congress enacted section 54F of the Code, permitting a state or local government to issue qualified school construction bonds to finance the construction, rehabilitation, or repair of a public school facility and certain land acquisition costs. Bonds issued as qualified school construction bonds makes the issuing district eligible for a cash subsidy payment from the United States Treasury equal to the lesser of (a) the amount of interest which would have been payable on such bonds if the interest were determined at the applicable tax credit rate or (b) 100% of the interest payable on such bonds.

In order to issue qualified school construction bonds, the District was required to request from the California Department of Education and be allocated a portion of the volume cap allocated to the State of California by the Internal Revenue Service. The District made such a request to the California Department of Education for an allocation from the State of California's 2010 statewide allocation to issue $25,000,000 of qualified school construction bonds and, on March 26, 2012, such allocation was granted to the District (the "QSCB Allocation"). The Series B Bonds are issued pursuant to the QSCB Allocation.

Description of the Bonds

Series B Bonds. The Series B Bonds will be issued as current interest bonds and will mature on August 1 in the amounts and years as set forth on the inside cover page hereof. Interest on the Series B Bonds accrues from their date of delivery and is payable semiannually on each February 1, and August 1 (each, an "Interest Payment Date"), commencing February 1, 2013.

Refunding Bonds. The Refunding Bonds will be issued as current interest bonds and will mature on each August 1, in the amounts and years as set forth on the cover page hereof. Interest on the Refunding Bonds accrues from their date of delivery and is payable semiannually on each Interest Payment Date, commencing February 1, 2013.

Book-Entry-Only System. 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 "BOOK-ENTRY-ONLY SYSTEM" and APPENDIX E—BOOK-ENTRY SYSTEM. In event that the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolutions described herein. See "THE SERIES B BONDS—Registration, Transfer and Exchange of Bonds" and "THE REFUNDING BONDS—Registration, Transfer and Exchange of Bonds." Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or any integral multiple thereof.

Redemption. The Series B Bonds and the Refunding Bonds are subject to redemption prior to maturity. See "THE SERIES B BONDS—Redemption" and "THE REFUNDING BONDS—Redemption."

Tax Matters

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel ("Bond Counsel"), interest on the Bonds is exempt from personal income taxation imposed by the State of California. In the opinion of Bond Counsel, under existing law, the Series B Bonds constitute "qualified school construction bonds" within the meaning of section 54F of the Internal Revenue Code of 1986 (the "Code"), are eligible for the credit payable by the federal government under section 6431(f)(2) of the Code. Interest on the Series B Bonds is includible in gross income of the owners thereof for federal income tax purposes. In the opinion of Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on the Refunding 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. See "TAX MATTERS."

Offering and Delivery

The Bonds are offered when, as and if issued and received by George K. Baum & Company (the "Underwriter"), 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 August 2, 2012.

Continuing Disclosure

The District will covenant for the benefit of the holders of the Bonds 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 D—FORMS OF CONTINUING DISCLOSURE CERTIFICATES.

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.

THE SERIES B BONDS

Authority for Issuance

The Series B 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. The Series B Bonds are authorized pursuant to the Series B Resolution.

Purpose of Issuance

The Series B 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, 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 Series B Bonds. See "—Sources and Uses of Funds.

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

Designation of Series B Bonds as Qualified School Construction Bonds

The Series B Bonds will be issued as "Qualified School Construction Bonds" for purposes of the Recovery Act. The District expects to receive a Subsidy Payment from the United States Treasury (the "Treasury") pursuant to the Recovery Act equal to the lesser of interest payable on the Series B Bonds or the federal tax credit rate applicable to the Series B Bonds as published by the U.S. Treasury on the day of pricing. The Subsidy Payment does not constitute a full faith and credit guarantee of the United States with respect to the Series B Bonds, but is required to be paid by the Treasury under the Recovery Act. Any Subsidy Payments received by the District are required to be deposited into the Interest and Sinking Fund, a fund created by statute and held and administered by the County for repayment of the Bonds (the "Interest and Sinking Fund") and are available for payment of any outstanding general obligation bonds of the District. The County is obligated to make all payments of principal of and interest on the Series B Bonds whether or not such Subsidy Payments are received pursuant to the Recovery Act and deposited in the Interest and Sinking Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—General" herein. As such the County sets tax rates based on moneys on hand (including any Subsidy Payments previously received), but does not base the tax rate on the anticipated receipt of future subsidies. While failure to receive a Subsidy Payment timely may cause the County to set a higher tax rate, failure to receive the subsidy payment is unlikely to affect the County's ability to make debt service payments on the Bonds. The District makes no assurances about future legislative or policy changes or the netting of other tax liabilities against the Subsidy by the Treasury which may affect the amount, timing or receipt of Subsidy Payments.

Under Section 54F Code, proceeds of qualified school construction bonds may be applied only to the construction, rehabilitation or repair of public school facilities, or the acquisition of land on which such a facility is to be constructed and to payment of costs of issuance not in excess of 2% of the issue price of said bonds. Internal Revenue Service Notice 2009-35, released April 3, 2009, provides that qualified school construction bond proceeds may also be expended for "costs of acquisition of equipment to be used in such portion or portions of the public school facility that is being constructed, rehabilitated or repaired" with the proceeds of the related qualified school construction bonds. In accordance with Section 54F, the District must spend all of the proceeds of the Series B Bonds within three years of the date of issuance, or apply remaining proceeds to redeem outstanding bonds. See "—Redemption—Extraordinary Optional Redemption from Unexpended Proceeds."

Security

The Series B Bonds represent general obligations of the District payable solely from *ad valorem* property taxes levied and collected pursuant to 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 Series B 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 Series B Bonds are outstanding in an amount sufficient to pay the principal of or interest on the Series B Bonds when due. Such taxes, when collected, will be deposited, with respect to the Series B Bonds, into the Interest and Sinking Fund and which is required by the California Education Code to be applied for the payment of principal of or interest on the Series B Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Series B Bonds, and the County Treasurer-Tax Collector will maintain the Interest and Sinking Fund, the Series B 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 Series B Bonds as the same become due and payable, will be transferred by County, through the County Treasurer-Tax Collector, to the Paying Agent (hereinafter defined) which, in turn, will pay such moneys to DTC to pay the principal of and interest on the Series B Bonds. DTC will thereupon make payments of principal and interest on the Series B Bonds to the DTC Participants who will thereupon make payments of principal and interest to the Beneficial Owners (as defined herein) of the Series B Bonds.

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

Description of the Series B Bonds

The Series B Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Series B Bonds.

Interest on the Series B Bonds accrues on the basis of a 360-day year comprised of twelve 30-day months. Each Series B Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to that Interest Payment Date, inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before January 15, 2013, in which event it will bear interest from their date of delivery. The Series B Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Series B Bonds mature on the dates, in the years and amounts set forth on the cover page hereof.

See the maturity schedules on the inside cover page hereof and "—Debt Service Schedule."

Book-Entry-Only System

DTC will act as securities depository for the Series B Bonds. The Series B 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 Series B Bond certificate will be issued for maturity of the Series B Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX E—BOOK-ENTRY SYSTEM.

Payment

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

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

Redemption

No Optional Redemption. The Series B Bonds are not subject to optional redemption prior to their stated maturity date.

Extraordinary Mandatory Redemption from Unexpended Proceeds. The Series B Bonds are subject to extraordinary mandatory redemption, in whole or in part, within 90 days following the third anniversary of the delivery date of the Series B Bonds, or 90 days following the date of termination of any period of time negotiated with the IRS that extends the date by which the proceeds of the sale of the Series B Bonds must be expended, as evidenced in writing from the IRS, at a redemption price equal to 100% of the principal amount of the Series B Bonds called for redemption, without premium, plus accrued interest thereon to the date fixed for redemption, in a total amount equal to the unexpended proceeds of the Series B Bonds.

Extraordinary Optional Redemption. The Series B Bonds are subject to extraordinary optional redemption prior to their maturity at the option of the District, as a whole or in part, on any date prior to their maturity, upon the occurrence of an Extraordinary Event, at a redemption price equal to 100% of the principal amount of the outstanding Series B Bonds to be redeemed, without premium.

The term "Extraordinary Event" means (a) a final determination by the Internal Revenue Service ("IRS") (after the District has exhausted all administrative appeal remedies) determining that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status; (b) a non-appealable holding by a court of competent jurisdiction holding that an Accountable Event of

Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status; (c) the occurrence of a material adverse change under section 54F or 6431 of the Code; (d) the publication by the IRS or the United States Treasury of any guidance with respect to such sections; (e) any other determination by the IRS or the United States Treasury, which determination is not the result of a failure of the District to satisfy certain requirements of this Series B Resolution and the tax certificate of the District relating to the Series B Bonds (the "Tax Certificate for the Series B Bonds"), if as a result of an event as described in (c), (d), or (e) of this sentence, the Subsidy Payments expected to be received with respect to the Series B Bonds are eliminated or reduced, as reasonably determined by the District Representative, which determination shall be conclusive; or (f) the Subsidy Payment for the most recent Interest Payment Date is at least four months past due and the District Board determines that such delay is likely to continue and it is in the best interests of the District to redeem the Series B Bonds.

The term "Accountable Event of Loss of Qualified School Construction Bond Status" means (i) any act or any failure to act on the part of the District constituting a breach of a covenant or agreement thereof contained in the Series B Resolution and Tax Certificate for the Series B Bonds which causes the Series B Bonds to lose their status, or fail to qualify, as Qualified School Construction Bonds within the meaning of section 54F of the Code, or (ii) the making by the District of any representation contained in the Series B Resolution and the Tax Certificate for the Series B Bonds, as applicable, which was untrue when made and the untruth of which representation at such time causes the Series B Bonds to lose their status, or fail to qualify, as Qualified School Construction Bonds within the meaning of section 54F of the Code.

The term "Date of Loss of Qualified School Construction Bond Status" is the date specified in a Determination of Loss of Qualified School Construction Bond Status as the date from and after which the Series B Bonds lost their status, or failed to qualify, as Qualified School Construction Bonds as defined in section 54F of the Code as a result of an Accountable Event of Loss of Qualified School Construction Bond Status, which date could be as early as the date of initial issuance and delivery of the Series B Bonds.

The term "Determination of Loss of Qualified School Construction Bond Status" means (i) a final determination by the IRS (after the District has exhausted or waived all administrative appeal remedies) determining that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status and the amount of Series B Bonds that are subject to the Accountable Event of Loss of Qualified School Construction Bond Status, or (ii) a non-appealable holding by a court of competent jurisdiction holding that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status.

Notice of Redemption. The Paying Agent shall give notice of the redemption of the Series B Bonds at the expense of the District. Such notice shall specify: (a) that the Series B Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Series B Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Series B Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Series B Bond to be redeemed, the portion of the principal amount of such Series B Bond to be redeemed, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of redemption shall be by registered or otherwise secured mail or delivery service, postage prepaid, to the registered owner of the Series B Bonds, or if the registered owner is a syndicate, to the managing member of such syndicate, to a municipal registered securities depository and to a national information service that disseminates securities redemption notices, and by first class mail, postage prepaid, to the District and County and the respective owners of any registered Series B Bonds designated for redemption at their addresses appearing on the Bond Register, in every case at least thirty (30) days, but not more than sixty (60) days, prior to the redemption date; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Series B Bonds.

Conditional Notice of Redemption. Any notice of optional redemption of the Series B Bonds may be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, (i) said notice shall be of no force and effect, (ii) the District shall not be required to redeem such Series B Bonds; (iii) the redemption shall be cancelled and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons and in the manner in which the conditional notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled. The actual receipt by the owner of any Series B Bond of notice of such cancellation shall not be a condition precedent to cancellation, and failure to receive such notice or any defect in such notice shall not affect the validity of the cancellation.

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

Partial Redemption of Series B Bond. Upon the surrender of any Series B Bond redeemed in part only, the Paying Agent shall execute and deliver to the registered owner thereof a new Series B Bond or Bonds of like tenor and maturity and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Series B Bonds surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such registered owner, the Paying Agent and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Redemption. Notice having been given as described above, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside for such purpose, the Series B Bonds to be redeemed shall become due and payable on such date of redemption. If on such redemption date, money for the redemption of all the Series B Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest with respect to the Series B Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Series B Bonds shall be held in trust for the account of the registered owners of the Series B Bonds so to be redeemed. Series B Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, and sufficient moneys are held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Series B Bonds or portions thereof, then such Series B Bonds shall no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Special Sinking Fund for the Series B Bonds. The County will establish, hold and maintain a fund to be known as the Pittsburg Unified School District Taxable General Obligation Bonds, Election of 2010, Series B (2012) Special Sinking Fund (the "Series B Bonds Special Sinking Fund"), to be maintained as a separate fund, distinct from all other funds of the County and the District. A required reserve amount for the Series B Bonds (the "Required Series B Bonds Reserve") must be maintained on deposit in the Series B Bonds Special Sinking Fund at all times. The amount of the Required Series B Bonds Reserve will be calculated in accordance with the provisions of the tax certificate to be executed and delivered by the District in connection with the Series B Bonds. The amounts on deposit in the Series B Bonds Special Sinking Fund are pledged for the payment of the principal of the Series B Bonds when due, including the principal due and payable in connection with any early redemption of the Series B Bonds.

The District has committed to make mandatory sinking fund payments into the Series B Bonds Special Sinking Fund held by the County in the years and in the amounts set forth in the following tables. The County shall levy an *ad valorem* property tax in the corresponding years sufficient to meet the sinking fund payment obligations of the District, as follows:

Series B Bonds maturing on August 1, 2025

Year	Sinking Fund Deposit
2014	$ 85,000
2015	155,000
2016	305,000
2017	515,000
2018	725,000
2019	945,000
2020	1,000,000
2021	1,070,000
2022	1,115,000
2023	1,170,000
2024	1,240,000
2025	1,300,000

† Maturity

Series B Bonds maturing on August 1, 2034

Year	Sinking Fund Deposit
2026	$1,390,000
2027	1,465,000
2028	1,535,000
2029	1,610,000
2030	1,695,000
2031	1,775,000
2032	1,865,000
2033	1,975,000
2034	2,065,000

† Maturity

Defeasance

The Series B Bonds may be defeased prior to maturity in the following ways:

(a) *Cash*. By irrevocably depositing with a bank or trust company, in escrow, an amount of cash which, together with amounts then on deposit in the Debt Service Fund, is sufficient to pay all Series B Bonds outstanding, including all principal and interest and premium, if any; or

(b) *Defeasance Securities*. By irrevocably depositing with a bank or trust company, in escrow, noncallable Defeasance Securities (as defined below), as permitted under section 149(d) of the Code, together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Series B Bonds (including all principal and interest represented thereby and redemption premiums, if any), at or before their maturity date;

then, notwithstanding that any of the Series B Bonds will not have been surrendered for payment, all obligations of the District and the County with respect to all outstanding Series B Bonds will cease and terminate, except for the obligation of the County and the Paying Agent or an independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of the Series B Bonds not so surrendered and paid all sums due with respect thereto.

"Defeasance Securities" means direct and general obligations of the United States of America (including State and Local Government Series), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidence of direct ownership or proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances wherein; (a) a bank or trust company acts as custodian and holds the underlying Defeasance Securities; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Defeasance Securities; and (c) the underlying Defeasance Securities are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claims of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed "AAA" by Standard & Poor's if the Series B Bonds are then rated by Standard & Poor's, and "Aaa" by Moody's Investors Service if the Series B Bonds are then rated by Moody's Investors Service.

Partial Defeasance

A portion of the then-outstanding maturities of the Series B Bonds may be defeased prior to maturity in the following ways:

(a) *Cash*. By irrevocably depositing with a bank or trust company, in escrow, an amount of cash which, together with amounts then on deposit in the Debt Service Fund, is sufficient to pay the designated outstanding maturities of Series B Bonds, including all principal and interest and premium, if any; or

(b) *Defeasance Securities*. By irrevocably depositing with a bank or trust company, in escrow, noncallable Defeasance Securities, as permitted under section 149(d) of the Code, together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge the designated outstanding maturities of Series B Bonds (including all principal and interest represented thereby and redemption premiums, if any), at or before their maturity date;

then, notwithstanding that any such designated maturities of Series B Bonds shall not have been surrendered for payment, all obligations of the District and the County with respect to all such outstanding maturities of Series B Bonds will cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of the designated Series B Bonds of such maturities not so surrendered and paid, all sums due with respect thereto.

Registration, Transfer and Exchange of Series B Bonds

So long as any of the Series B Bonds remain outstanding, the District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Series B Bonds as provided in the Series B Resolution (each, a "Bond Register"). Subject to the provisions of the Series B Resolution, the person in whose name a Series B Bond is registered on the Bond Register will be regarded as the absolute owner of that Series B Bond for all purposes of the Series B Resolution. Payment of or on account of the principal of or interest on any Series B Bond will be made only to or upon the order of that person; neither the District, nor the Paying Agent will be affected by any notice to the contrary, but the registration may be changed as provided in the Series B Resolution. All such payments will be valid and effectual to satisfy and discharge the District's liability upon the Series B Bonds, including interest, to the extent of the amount or amounts so paid.

In the event that the book-entry system as described above is no longer used with respect to the Series B Bonds, the following provisions will govern the registration, transfer, and exchange of the Series B Bonds.

Any Series B Bond may be exchanged for Series B Bonds of the same series of like tenor, maturity, and outstanding principal amount or maturity value (the "Transfer Amount") upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Series B Bond may be transferred on the Bond Register only upon presentation and surrender of the Series B Bond at the principal office of the Paying Agent together with an assignment executed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent will complete, authenticate and deliver a new Series B Bond or Series B Bonds of like tenor and of any authorized denomination or denominations requested by the owner equal to the Transfer Amount of the Series B Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

In all cases of exchanged or transferred Series B Bonds, the District will sign and the Paying Agent will authenticate and deliver Series B Bonds in accordance with the provisions of the Series B Resolution. All fees and costs of transfer will be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Series B Bonds issued upon any exchange or transfer will be valid obligations of the District, evidencing the same debt, and entitled to the same security and benefit under the Series B Resolution as the Series B Bonds surrendered upon that exchange or transfer.

Any Series B Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer will be canceled by the Paying Agent. The District may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Series B Bonds that the District may have acquired in any manner whatsoever, and those Series B Bonds will be promptly canceled by the Paying Agent. Written reports of the surrender and cancellation of Series B Bonds will be made to the District by the Paying Agent. The canceled Series B Bonds will be retained for a period of time, then returned to the District or destroyed by the Paying Agent as directed by the District.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Series B Bonds during a period beginning with the opening of business on the 15th business day next preceding either any Interest Payment Date or any date of selection of Series B Bonds to be redeemed and ending with the close of business on the Interest Payment Date or any day on which the applicable notice of redemption is given or (b) to transfer any Series B Bonds which have been selected or called for redemption in whole or in part.

Sources and Uses of Funds

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

Sources of Funds:	
Principal Amount of Series B Bonds	$25,000,000.00
Total Sources of Funds	$25,000,000.00
Uses of Funds:	
Deposit to Building Fund	$24,686,805.56
Costs of Issuance (1)	313,194.44
Total Uses of Funds	$25,000,000.00

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

Debt Service Schedule

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

Period Ending	Principal	Interest (1)	Debt Service
8/1/13	—	$ 1,136,622.71	$ 1,136,622.71
8/1/14	—	1,155,887.50	1,155,887.50
8/1/15	—	1,155,887.50	1,155,887.50
8/1/16	—	1,155,887.50	1,155,887.50
8/1/17	—	1,155,887.50	1,155,887.50
8/1/18	—	1,155,887.50	1,155,887.50
8/1/19	—	1,155,887.50	1,155,887.50
8/1/20	—	1,155,887.50	1,155,887.50
8/1/21	—	1,155,887.50	1,155,887.50
8/1/22	—	1,155,887.50	1,155,887.50
8/1/23	—	1,155,887.50	1,155,887.50
8/1/24	—	1,155,887.50	1,155,887.50
8/1/25	$ 9,625,000	1,155,887.50	10,780,887.50
8/1/26	—	756,450.00	756,450.00
8/1/27	—	756,450.00	756,450.00
8/1/28	—	756,450.00	756,450.00
8/1/29	—	756,450.00	756,450.00
8/1/30	—	756,450.00	756,450.00
8/1/31	—	756,450.00	756,450.00
8/1/32	—	756,450.00	756,450.00
8/1/33	—	756,450.00	756,450.00
8/1/34	15,375,000	756,450.00	16,131,450.00
TOTAL	$25,000,000	$21,815,322.71	$46,815,322.71

(1) Interest on the Series B Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2013.

THE REFUNDING BONDS

Authority for Issuance

The Refunding Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code.

The Refunding Bonds are authorized pursuant to the Refunding Bond Resolution. The California Government Code permits the issuance of bonds payable from *ad valorem* taxes without a vote of the electors solely in order to refund other outstanding bonds which were originally approved by such a vote, provided that the total debt service to maturity on the refunding bonds does not exceed the total debt service to maturity on the bonds being refunded.

Proceeds of the Refunding Bonds will be applied to (a) refund the Refunded 2004A Bonds and the Refunded 2003 Bonds, and (b) pay costs of issuance of the Refunding Bonds. See "—Sources and Uses of Funds" and "—Plan of Refunding."

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

Description of the Refunding Bonds

The Refunding Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Refunding Bonds.

Interest with respect to the Refunding Bonds accrues from their date of delivery and is payable semiannually on February 1 and August 1 of each year commencing February 1, 2013. Interest on the Refunding Bonds accrues on the basis of a 360-day year comprised of twelve 30-day months. Each Refunding Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to that Interest Payment Date, inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before January 15, 2012, in which event it will bear interest from their date of delivery. The Refunding Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Refunding Bonds mature on the dates, in the years and amounts set forth on the cover page hereof.

See the maturity schedule on the inside cover page hereof and "—Debt Service Schedule."

Payment

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

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

Redemption

Optional Redemption. The Refunding Bonds maturing on or before August 1, 2022, are not subject to optional redemption. The Refunding Bonds maturing on or after August 1, 2023, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, on August 1, 2022, or on any date thereafter, as a whole, at par value, together with interest accrued thereon to the date of redemption, without premium.

Notice of Redemption. The Paying Agent shall give notice of the redemption of the Refunding Bonds at the expense of the District. Such notice shall specify: (a) that the Refunding Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Refunding Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Refunding Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Refunding Bond to be redeemed, the portion of the principal amount of such Refunding Bond to be redeemed, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of redemption shall be by registered or otherwise secured mail or delivery service, postage prepaid, to the registered owner of the Refunding Bonds, or if the registered owner is a syndicate, to the managing member of such syndicate, to a municipal registered securities depository and to a national information service that disseminates securities redemption notices, and by first class mail, postage prepaid, to the District and County and the respective owners of any registered Refunding Bonds designated for redemption at their addresses appearing on the Bond Register, in every case at least thirty (30) days, but not more than sixty (60) days, prior to the redemption date; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Refunding Bonds.

Conditional Notice of Redemption. Any notice of optional redemption of the Refunding Bonds may be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, (i) said notice shall be of no force and effect, (ii) the District shall not be required to redeem such Refunding Bonds; (iii) the redemption shall be cancelled and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons and in the manner in which the conditional notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled. The actual receipt by the owner of any Refunding Bonds of notice of such cancellation shall not be a condition precedent to cancellation, and failure to receive such notice or any defect in such notice shall not affect the validity of the cancellation.

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

Partial Redemption of Refunding Bond. Upon the surrender of any Refunding Bond redeemed in part only, the Paying Agent shall execute and deliver to the registered owner thereof a new Refunding Bond or Refunding Bonds of like tenor and maturity and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Refunding Bonds surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such registered owner, the Paying Agent and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Redemption. Notice having been given as described above, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside for such purpose, the Refunding Bonds to be redeemed shall become due and payable on such date of redemption. If on such redemption date, money for the redemption of all the Refunding Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest with respect to the Refunding Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Refunding Bonds shall be held in trust for the account of the registered owners of the Refunding Bonds so to be redeemed. Refunding Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, and sufficient moneys are held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Refunding Bonds or portions thereof, then such Refunding Bonds shall no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Events of Default and Remedies

The following events ("events of default") shall be events of default under the Refunding Bond Resolution:

(a) if default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Refunding 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 Refunding 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 Refunding Bond Resolution or in the Refunding Bonds contained, and such default shall have continued for a period of thirty (30) days after written notice thereof to the District; or

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

Any Refunding Bondowner shall have the right, for the equal benefit and protection of all Refunding 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 Refunding Bond Resolution and in the Refunding 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 Refunding Bondowners' rights; or

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

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

Defeasance

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

> (i) by paying or causing to be paid the principal or redemption price of and interest on Refunding 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 Refunding Bonds Outstanding; or
>
> (iii) by delivering to the Paying Agent, for cancellation by it, Refunding Bonds Outstanding.

If the District shall pay all Refunding Bonds Outstanding and shall also pay or cause to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (evidenced by a certificate of a District Representative, filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and the Refunding Bond Resolution), and notwithstanding that any Refunding Bonds shall not have been surrendered for payment, the Refunding Bond Resolution and other assets made under the Refunding Bond Resolution and all covenants, agreements and other obligations of the District under the Refunding Bond Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Refunding Bond Resolution. 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 Refunding Bond Resolution which are not required for the payment or redemption of Refunding Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Refunding Bonds. Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount to pay or redeem any Outstanding Refunding Bond (whether upon or prior to its maturity or the redemption date of such Refunding Bond), provided that, if such Refunding 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 Refunding 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 Refunding Bond by the District, and the District shall remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment, provided further, however, that the provisions of the Refunding Bond Resolution shall apply in all events.

The District may at any time surrender to the Paying Agent for cancellation by it any Refunding Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such Refunding 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 Refunding 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 Refunding 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 Refunding Bond Resolution and shall be:

> (i) lawful money of the United States of America in an amount equal to the principal amount of such Refunding Bonds and all unpaid interest thereon to maturity, except that, in the case of Refunding 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 Refunding 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 Refunding Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Refunding 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 Refunding 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 Refunding Bonds.

Payment of Refunding Bonds After Discharge of Refunding Bond Resolution. Notwithstanding any provisions of the Refunding 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 Refunding Bonds and remaining unclaimed after the payment is due (whether at maturity or upon call for redemption as provided in the Refunding Bond Resolution), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Refunding Bonds became due and payable, shall be repaid to the District free from the trusts created by the Refunding 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 Refunding 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 Refunding 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.

Transfer and Exchange of Refunding Bonds; Registration

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

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

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

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

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

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

Plan of Refunding

A portion of the proceeds from the sale of the Refunding Bonds will be deposited into an escrow fund (the "2004A Escrow Fund") to be created and maintained by The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank"). A portion of the moneys deposited in the 2004A Escrow Fund will be invested in U.S. Treasury Securities so that the interest thereon and the maturing principal thereof, together with uninvested cash, will be sufficient to (a) pay the principal of and interest on the Refunded 2004A Bonds to and including August 1, 2013, and (b) redeem the outstanding Refunded 2004A Bonds in full on August 1, 2013, at a redemption price equal to 100% of the principal amount of the Refunded 2004A Bonds. The mathematical accuracy of the calculation as to the sufficiency of U.S. Treasury Securities and cash in the 2004A Escrow Fund to meet the payment and redemption requirements of the Refunded 2004A Bonds will be verified by Causey Demgen & Moore, Inc., Denver, Colorado (the "Verification Agent"). See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

A portion of the proceeds from the sale of the Refunding Bonds will be deposited into an escrow fund (the "2003 Escrow Fund") to be created and maintained by the Escrow Bank. The moneys deposited in the 2003 Escrow Fund will be invested in U.S. Treasury Securities so that the interest thereon and the maturing principal thereof, together with uninvested cash, will be sufficient to redeem the outstanding Refunded 2003 Bonds in full on September 6, 2012, at a redemption price equal to 101% of the principal amount of the Refunded 2003 Bonds, together with accrued interest to such date. The mathematical accuracy of the calculation as to the sufficiency of cash in the 2003 Escrow Fund to meet the payment and redemption requirements of the Refunded 2003 Bonds will be verified by the Verification Agent. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

A portion of the proceeds of the Refunding Bonds will be retained by the Paying Agent in a costs of issuance account (the "Costs of Issuance Fund") and used to pay costs associated with the issuance of the Refunding Bonds. Any proceeds of sale of the Refunding Bonds not needed to fund the 2004A Escrow Fund or the 2003 Escrow Fund or to pay costs of issuance of the Refunding Bonds will be transferred by the Paying Agent to the County Treasurer-Tax Collector for deposit in the Interest and Sinking Fund maintained by the County Treasurer-Tax Collector for the District to be used only for payment of principal of and interest on the Refunding Bonds. Amounts deposited into the Interest and Sinking Fund, as well as proceeds of taxes held therein for payment of the Refunding Bonds, will be invested on behalf of the District by the County Treasurer-Tax Collector pursuant to law and the investment policy of the County. See "COUNTY INVESTMENT POOL."

Sources and Uses of Funds

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

Sources of Funds:	
Principal Amount of Refunding Bonds	$13,265,000.00
Plus: Original Issue Premium	1,387,059.40
Total Sources of Funds	$14,652,059.40
Uses of Funds:	
Deposit to 2003 Escrow Fund (1)	$ 5,277,722.83
Deposit to 2004A Escrow Fund (2)	9,197,511.55
Costs of Issuance (3)	176,825.02
Total Uses of Funds	$14,652,059.40

(1) Amounts deposited in the 2003 Escrow Fund will be applied to the redemption of the Refunded 2003 Bonds. See "PLAN OF REFUNDING."
(2) Amounts deposited in the 2004A Escrow Fund will be applied to the redemption of the Refunded 2004A Bonds. See "PLAN OF REFUNDING."
(3) Includes Underwriter's discount, Bond Counsel fees, Disclosure Counsel fees, financial advisory fees, printing costs, rating agency fees and other miscellaneous expenses.

Debt Service Schedule

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

Period Ending	Principal	Interest (1)	Debt Service
8/1/13	$ 485,000	$ 512,857.50	$ 997,857.50
8/1/14	495,000	507,000.00	1,002,000.00
8/1/15	575,000	487,200.00	1,062,200.00
8/1/16	600,000	464,200.00	1,064,200.00
8/1/17	1,115,000	440,200.00	1,555,200.00
8/1/18	1,200,000	395,600.00	1,595,600.00
8/1/19	1,270,000	347,600.00	1,617,600.00
8/1/20	1,370,000	290,450.00	1,660,450.00
8/1/21	1,070,000	241,950.00	1,311,950.00
8/1/22	870,000	188,450.00	1,058,450.00
8/1/23	925,000	144,950.00	1,069,950.00
8/1/24	1,000,000	98,700.00	1,098,700.00
8/1/25	1,110,000	68,700.00	1,178,700.00
8/1/26	1,180,000	35,400.00	1,215,400.00
TOTAL	$13,625,000	$4,223,257.50	$17,488,257.50

(1) Interest payments on the Refunding Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2013.

PAYING AGENT

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

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

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, 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. See APPENDIX E—BOOK-ENTRY SYSTEM.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District, 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 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 2007-08 to 2011-12.

HISTORIC ASSESSED VALUATIONS
Pittsburg Unified School District

Fiscal Year	Local Secured	Utility	Unsecured	Total (Before Redev.)	% Change
2007-08	$4,466,682,189	$493,394,418	$650,336,655	$5,610,413,262	—
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)
2011-12	3,126,856,773	484,367,412	947,875,978	4,559,100,163	(0.83)

Source: Contra Costa County Auditor-Controller's Office

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 2011-12

	2011-12 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	$ 10,348,501	0.29%	53	0.35%
Commercial	203,652,464	5.64	251	1.66
Vacant Commercial	6,086,109	0.17	39	0.26
Industrial	627,950,575	17.39	147	0.97
Vacant Industrial	25,597,271	0.71	29	0.19
Recreational	183,839	0.01	1	0.01
Government/Social/Institutional	6,242,340	0.17	80	0.53
Power Plant/Utility Roll	484,367,412	13.41	20	0.13
Miscellaneous	17,003,626	0.47	50	0.33
Subtotal Non-Residential	$1,381,432,137	38.25%	670	4.43%
Residential:				
Single Family Residence	$1,829,300,429	50.66%	12,743	84.31%
Condominium/Townhouse	124,404,383	3.44	904	5.98
Mobile Home	5,332,287	0.15	293	1.94
2-4 Residential Units	49,472,608	1.37	352	2.33
5+ Residential Units/Apartments	218,652,664	6.05	53	0.35
Vacant Residential	2,629,677	0.07	99	0.66
Subtotal Residential	$2,229,792,048	61.75%	14,444	95.57%
Total	$3,611,224,185	100.00%	15,114	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 $143,553, and the median assessed value per parcel is $143,000.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Pittsburg Unified School District
Fiscal Year 2011-12

	No. of Parcels	2011-12 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	12,743	$1,829,300,429	$143,553	$143,000

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%	$ 362,437	0.020%	0.020%
$25,000 - $49,999	768	6.027	6.176	31,184,899	1.705	1.725
$50,000 - $74,999	1,071	8.405	14.581	67,623,774	3.697	5.421
$75,000 - $99,999	1,454	11.410	25.991	127,197,063	6.953	12.375
$100,000 - $124,999	1,601	12.564	38.555	180,610,226	9.873	22.248
$125,000 - $149,999	2,047	16.064	54.618	282,066,432	15.419	37.667
$150,000 - $174,999	2,111	16.566	71.184	339,849,232	18.578	56.245
$175,000 - $199,999	1,582	12.415	83.599	295,934,613	16.177	72.423
$200,000 - $224,999	956	7.502	91.101	199,740,761	10.919	83.342
$225,000 - $249,999	603	4.732	95.833	142,393,360	7.784	91.126
$250,000 - $274,999	118	0.926	96.759	30,568,525	1.671	92.797
$275,000 - $299,999	208	1.632	98.391	59,986,145	3.279	96.076
$300,000 - $324,999	74	0.581	98.972	22,741,276	1.243	97.319
$325,000 - $349,999	32	0.251	99.223	10,658,494	0.583	97.902
$350,000 - $374,999	76	0.596	99.820	27,020,353	1.477	99.379
$375,000 - $399,999	7	0.055	99.874	2,691,754	0.147	99.526
$400,000 - $424,999	3	0.024	99.898	1,232,496	0.067	99.593
$425,000 - $449,999	4	0.031	99.929	1,757,282	0.096	99.689
$450,000 - $474,999	1	0.008	99.937	473,276	0.026	99.715
$475,000 - $499,999	2	0.016	99.953	977,444	0.053	99.769
$500,000 and greater	6	0.047	100.000	4,230,587	0.231	100.000
Total	12,743	100.000%		$1,829,300,429	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 2007-08 to fiscal 2011-12.

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

Typical Total Tax Rates (TRA 7-004 – 2011-12 Assessed Valuation: $2,012,435,357)

	2007-08	2008-09	2009-10	2010-11	2011-12
County-wide Rate[1]	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Bay Area Rapid Transit District	0.0076	0.0090	0.0057	0.0031	0.0041
Contra Costa Community College District	0.0108	0.0066	0.0126	0.0133	0.0144
Pittsburg Unified School District	0.0948	0.0571	0.1066	0.0848	0.1443
East Bay Regional Park District	0.0080	0.0100	0.0108	0.0084	0.0071
Total All Property	1.1212%	1.0827%	1.1357%	1.1096%	1.1699%
Total Land Only	0.0039%	0.0039%	0.0048%	0.0049%	0.0051%

Source: California Municipal Statistics, Inc.
[1] 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
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%
2010-11	$3,123,729.04	$ 53,034.98	1.70%

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 2011-12, representing 34.73% of the total assessed valuation.

LARGEST LOCAL SECURED TAXPAYERS
Pittsburg Unified School District
FISCAL YEAR 2011-12

	Property Owner	Primary Land Use	2010-11 Assessed Valuation	% of Total (1)
1.	Delta Energy Center LLC	Power Plant	$ 424,100,000	11.74%
2.	USS Posco Industries	Industrial	269,584,389	7.47
3.	Dow Chemical Company	Industrial	124,282,421	3.44
4.	GenOn Delta, LLC	Power Plant	85,500,000	2.37
5.	Sierra Pacific Properties Inc.	Apartments	61,227,494	1.70
6.	Kirker Creek BBS LP	Apartments	54,635,188	1.51
7.	GWF Power Systems	Industrial	39,903,715	1.10
8.	Fund VIII PR Pittsburg LLC	Apartments	21,835,242	0.60
9.	Albert D. Seeno Construction Co.	Shopping Center	19,882,814	0.55
10.	Contra Costa Waste Service Inc.	Industrial	19,223,781	0.53
11.	FRG Presidents Park III LLC	Apartments	18,766,269	0.52
12.	Union Carbide Industrial Gases Inc.	Industrial	15,292,539	0.42
13.	Aspen Loveridge LLC	Apartments	14,288,587	0.40
14.	Valero Logistics Operations	Industrial	14,024,457	0.39
15.	Wal-Mart Real Estate Business Trust	Shopping Center	13,534,602	0.37
16.	Signode Corporation	Industrial	12,662,074	0.35
17.	Don and Lonne Carr	Industrial	12,418,604	0.34
18.	Seeno Enterprises	Shopping Center	11,308,828	0.31
19.	Public Storage Inc.	Industrial	11,100,000	0.31
20.	Pittsburg River Park LLC	Industrial	10,648,283	0.29
	TOTAL		$1,254,219,287	34.73%

Source: California Municipal Statistics, Inc.
(1) 2011-12 Local Secured and Utility Assessed Valuation: $3,611,224,185.

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 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 Bonds to increase accordingly, so that the fixed debt service on the 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.

CONTRA COSTA COUNTY INVESTMENT POOL

The following information has been provided by the County, and the District and Underwriter take no responsibility for the accuracy or completeness thereof. Further information may be obtained from the County Treasurer.

Substantially all operating funds of the District are invested in the Contra Costa County Investment Pool. The County Treasurer accepts funds only from agencies located within the County for investment in the County Investment Pool. As of March 31, 2012, the cost value of the County Investment Pool was $2,067,641,918 and the fair value was $2,070,076,922, which was 100.12% of cost.

The following table summarizes the composition of the Pool as of March 31, 2012.

CONTRA COSTA COUNTY INVESTMENT POOL
PORTFOLIO COMPOSITION
(as of March 31, 2012)

Type of Investment	Par Value	Cost Value	Fair Value	Percent of Total (Cost Value)
U.S. Treasuries (STRIPS, Bills, Notes	$ 29,277,000	$ 30,463,361	$ 30,384,647	1.47%
U.S. Agencies (Federal, State, Local)	275,616,000	280,178,318	281,303,855	13.55
Money Market Instruments	1,224,220,518	1,224,013,790	1,225,653,596	59.20
Local Agency Investment Fund	336,994,607	336,994,607	336,994,607	16.30
Other	146,604,135	147,753,443	147,501,818	7.15
Cash	48,238,399	48,238,399	48,238,399	2.33
TOTAL	$2,060,950,659	$2,067,641,918	$2,070,076,922	100.00%

Note: All report information is unaudited.

The Treasurer's investment portfolio is in compliance with Government Code Section 53600 *et. seq.* and is in compliance with the Treasurer's current investment policy. The Treasurer's investment portfolio has no securities lending, reverse repurchase agreements or derivatives. The County reports that it is current practice for the Treasurer to mark the portfolio to market on a monthly basis. Such evaluations are performed by the County. Over 83% of the portfolio or over $1.70 billion will mature in less than a year. The County is able to meet its cash flow needs for six months. However, the State deferral policies and budget deficit could have a significant impact on the County's cash flow during the next six months.

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 10,000 students. The estimated population of the District is 55,814.

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.

BOARD OF TRUSTEES
Pittsburg Unified School District

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

One Trustee position is currently vacant.

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
2010-11	9,410
	Projected
2011-12	9,869

Source: Pittsburg Unified School District

The District is *not* a Basic Aid District. The District's statutory base revenue limit per unit of average daily attendance ("ADA"). under the State revenue limit formula was $6,667.91 for 2011-12. ADA has increased by 380 ADA over the past two years. ADA is anticipated to increase during the 2011-12 fiscal year. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — State Funding of School Districts."

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 Trustees 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 2011-12, adopted March 14, 2012, was certified as "Positive."

The following table shows the District's audited actual General Fund for fiscal years 2009-10 and 2010-11, and the District's adopted General Fund budget for 2011-12. For further information, see also APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011.

GENERAL FUND BUDGET
Fiscal Years 2009-10, 2010-11 and 2011-12
Pittsburg Unified School District

	Fiscal Year		
	2009-10 Actual	2010-11 Actual	2011-12 Second Interim
Revenues:			
Revenue limit sources	$ 45,936,009	$51,789,070	$52,785,105
Federal sources	7,958,970	9,415,899	7,847,702
Other State sources	15,812,597	19,442,164	15,889,601
Other Local sources	5,349,215	5,208,679	7,692,724
Total revenues	$75,183,791	$85,855,812	$84,215,132
Expenditures:			
Certificated salaries	32,727,632	34,937,948	36,563,598
Classified salaries	10,637,772	10,738,449	10,239,206
Employee benefits	15,522,756	17,215,311	15,994,979
Books & supplies	2,594,960	4,232,601	5,404,133
Contract services & operating expenditures	11,426,066	12,036,258	11,556,293
Capital Outlay	292,606	86,770	200,826
Other outgo	17,294		38,416
Transfers of indirect/direct support costs	(408,447)	39,230	(483,874)
Total expenditures	$73,810,639	$79,286,567	$79,513,577
Excess (deficiency) of revenues over expenditures	1,373,152	6,569,245	4,701,555
Other financing sources (uses):			
Operating transfers in	2,000,000	—	—
Operating transfers out	(2,584,467)	(2,913,155)	(1,897,766)
Total other financing sources (uses)	$ (584,467)	$ (2,913,155)	$(1,897,766)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	788,685	3,656,090	2,803,789
Beginning Fund Balance	11,839,416	12,628,101	10,131,291
Ending Fund Balance (a)	$12,628,101	$16,284,191	$12,935,080

Source: Pittsburg Unified School District
(a) The 2011 figures include the Special Reserve Fund for Other Than Capital Outlay to conform with GASB 54.

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, 2010, 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, 2011, are included in APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2011.

INCOME AND EXPENSE STATEMENT
Fiscal Year Ending June 30, 2007, 2008, 2009, 2010 and 2011
Pittsburg Unified School District

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
REVENUES					
Revenue Limit Sources:			$52,431,986	$ 45,936,009	$51,789,070
State Apportionments	$ 42,291,180	$ 44,764,527			
Local Sources	8,745,146	8,051,385			
Federal Sources	5,187,899	4,444,975	7,113,107	7,958,970	9,415,899
Other State Sources	13,622,330	15,050,414	14,562,334	15,812,597	19,442,164
Other Local Sources	5,055,207	4,561,913	3,575,089	5,349,215	5,208,679
Total Revenues	74,901,762	76,873,214	77,682,517	75,183,791	85,855,812
EXPENDITURES					
Certificated salaries	33,636,239	35,326,852	34,460,869	32,727,632	34,937,948
Classified salaries	10,580,961	10,844,818	10,860,182	10,637,772	10,738,449
Employee benefits	1,518,772	15,325,326	15,589,512	15,522,756	17,215,311
Books and supplies	4,190,002	3,458,293	3,484,573	2,594,960	4,232,601
Contract services and operating expenses	9,939,964	10,324,837	11,334,107	11,426,066	12,036,258
Capital outlay	333,974	525,632	500,166	292,606	86,770
Other outgo	15,682	15,765	15,695	17,294	—-
Allocation of Indirect Costs	—	—	(461,844)	(408,447)	—-
Debt service	9,989	9,988	—	—	—
Total Expenditures	73,895,583	75,871,511	75,783,260	73,810,639	79,286,567
Excess (deficiency) of revenues over (under) expenditures	1,006,179	1,001,703	1,899,257	1,373,152	6,569,245
Other financing sources					
Operating transfers in	293,817	316,779	1,008,559	2,000,000	—-
Operating transfers out	(500,736)	—	306,289	(2,584,467)	(2,913,155)
Total financing sources (uses)	(206,919)	316,779	702,270	(584,467)	(2,913,155)
Net change in fund balances	799,260	1,318,482	2,601,527	788,685	3,656,090
Fund Balance, July 1	$7,120,147	$7,919,407	$ 9,237,889	$11,839,416	$12,628,101
Fund Balance, June 30 (a)	$7,919,407	$9,237,889	$11,839,416	$12,628,101	$16,284,191

Source: Pittsburg Unified School District audited financial statements.
(a) The 2011 figures include the Special Reserve Fund for Other Than Capital Outlay to conform with GASB 54.

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 ADA. 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 60.3% of general fund revenues in fiscal year 2010-11 and are estimated to equal approximately 62.7% of such revenues in fiscal year 2011-12.

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 11% of general fund revenues in fiscal year 2010-11 and are estimated to equal approximately 9.3% of such revenues in fiscal year 2011-12.

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 22.6% of general fund revenues in fiscal year 2010-11 and are estimated to equal approximately 18.9% of such revenues in fiscal year 2011-12.

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 6.1% of general fund revenues in fiscal year 2010-11 and are estimated to equal approximately 9.1% of such revenues in fiscal year 2011-12.

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 2011-12.

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 2011-12 budget, the District estimates that it will expend $62,797,783 in salaries and benefits, or approximately 79% of its general fund expenditures. This amount represents a decrease of approximately 0.1% from the $62,891,708 the District expended in 2010-11.

Labor Relations. Currently the District employs 530.5 full-time equivalent (FTE) certificated employees, 335.2854 FTE classified employees, 54.80 management employees and 16 confidential employees. There are two formal bargain units operating in the District which are described in the table below.

LABOR ORGANIZATIONS
Pittsburg Unified School District

Labor Organization	Contract Expiration
Pittsburg Teachers Association	June 30, 2014
California Schools Employees Association	June 30, 2014

Source: Pittsburg Unified School District

Retirement Programs. Qualified employees are covered under multiple-employer contributory retirement 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).

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 95811.

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 rate for fiscal year 2011 was 10.707% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2009, 2010 and 2011 were $1,124,426, $1,196,747 and $1,343,982, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (CalSTRS).

Plan Description. The District contributes to the 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 Laws. 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, 7919 Folsom Boulevard, Sacramento, California 95826.

Funding Policy. Active plan members are required to contribute 8.0% 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011 was 8.25% of annual payroll. The District's contributions to CalSTRS for the fiscal years ending June 30, 2009, 2010 and 2011 were $2,878,698, $2,818,049 and $2,891,563, 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 $1,495,552 to CalSTRS (4.267% of salaries subject to CalSTRS in 2010-11).

See also APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011, Note 12.

Other Post-Employment Benefits. In addition to the pension benefits described above, the 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 consists 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.

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:

Annual required contribution	$1,627,527
Interest on net OPEB obligation	89,408
Adjustment to annual required contribution	(118,099)
Annual OPEB cost (expense)	1,598,836
Contributions made	(767,086)
Increase in net OPEB obligation	831,750
Net OPEB obligation, beginning of the year	1,788,148
Net OPEB obligation, end of the year	$2,619,898

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three fiscal years are as follows:

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2008-09	$1,627,527	45%	$ 729,632
2009-10	1,615,820	34	1,788,148
2010-11	1,598,836	48	2,619,898

Funded Status and Funding Progress – OPEB Plans. As of July 1, 2009, the most recent actuarial valuation date, the District had set aside $300,000 in an irrevocable trust. The actuarial accrued liability (AAL) for benefits was $13.7 million and the unfunded actuarial accrued liability (UAAL) was $13.4 million.

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.

See also APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011, Note 11.

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, 2011, 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 2011-12, the District has budgeted an unrestricted general fund reserve of 10.1%, or approximately $8 million, consisting of $4.9 million designated for economic uncertainties before accounting for the Special Reserve Fund for Other Than Capital Outlay. 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, 2012:

PITTSBURG UNIFIED SCHOOL DISTRICT
Outstanding General Obligation Bonds
As of June 30, 2012

Date Issued	Series	Amount of Original Issue	Outstanding June 30, 2012
September 18, 2003	2003 General Obligation Refunding Bonds	$ 8,825,000	$ 5,710,000
March 23, 2005	Election of 2004, Series A	17,100,000	15,285,000
September 15, 2005	2005 General Obligation Refunding Bonds	8,565,000	6,760,000
June 22, 2006	Election of 2004, Series B	13,350,000	12,375,000
October 10, 2007	Election of 2004, Series C	10,050,000	9,230,000
October 10, 2007	Election of 2006, Series A	15,000,000	11,295,000
May 27, 2009	Election of 2006, Series B	35,000,000	34,405,000
March 25, 2010	2010 General Obligation Refunding Bonds	6,810,000	6,325,000
July 14, 2011	Election of 2006, Series C	35,000,000	34,905,000
July 14, 2011	Election of 2010, Series A	24,999,952	23,415,000
TOTALS		$174,699,952	$159,705,000

The annual requirements to amortize all general obligation bonds payable, outstanding following the issuance of the 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		
Ending	Refund 2005	Refund 2010	Refund 2012	Series A (2005)	Series B (2006)	Series C (2007)	Refund 2012	Series A (2007)	Series B (2009)	Series C (2011)	Series A (2011)	Series B (2011)*	Debt Service
8/1/2013	718,925.00	695,150.00	672,202.08	631,455.00	779,421.26	687,733.76	325,655.42	868,298.76	2,270,087.50	275,000.00	2,475,000.00	126,247.71	
8/1/2014	717,945.00	696,800.00	670,825.00	668,505.00	798,421.26	685,196.26	331,175.00	876,723.76	2,261,750.00	325,000.00	2,425,000.00	213,387.50	
8/1/2015	725,970.00	693,000.00	706,025.00	703,175.00	825,921.26	687,233.76	356,175.00	869,086.26	2,272,150.00	420,000.00	2,330,000.00	283,387.50	
8/1/2016	722,482.50	691,550.00	709,025.00	740,550.00	846,421.26	688,633.76	355,175.00	856,023.76	2,286,350.00	520,000.00	2,230,000.00	433,387.50	
8/1/2017	722,795.00	694,575.00	676,025.00	195,075.00	870,171.26	690,233.76	879,175.00	858,823.76	2,279,150.00	635,000.00	2,115,000.00	643,387.50	
8/1/2018	725,995.00	694,375.00	678,425.00	195,075.00	895,571.26	686,233.76	917,175.00	850,823.76	2,291,350.00	740,000.00	2,010,000.00	853,387.50	
8/1/2019	728,195.00	693,375.00	669,825.00	195,075.00	983,865.00	681,833.76	947,775.00	817,423.76	2,321,100.00	860,000.00	1,890,000.00	1,073,387.50	
8/1/2020	723,800.00	691,125.00	677,600.00	195,075.00	1,012,827.50	682,033.76	982,850.00	819,623.76	2,322,850.00	980,000.00	1,945,000.00	1,128,387.50	
8/1/2021	728,431.26	692,625.00	294,000.00	195,075.00	1,044,027.50	686,248.76	1,017,950.00	820,558.76	2,317,850.00	1,110,000.00	1,990,000.00	1,198,387.50	
8/1/2022	731,825.00	692,625.00	—	195,075.00	1,077,890.00	684,238.76	1,058,450.00	820,188.76	2,321,350.00	1,240,000.00	2,060,000.00	1,243,387.50	
8/1/2023	358,475.00	691,125.00	—	195,075.00	1,104,140.00	681,388.76	1,069,950.00	818,726.26	2,322,850.00	1,375,000.00	2,125,000.00	1,298,387.50	
8/1/2024	354,450.00	—	—	195,075.00	1,132,390.00	682,683.76	1,098,700.00	816,151.26	2,323,425.00	1,520,000.00	2,180,000.00	1,368,387.50	
8/1/2025	—	—	—	195,075.00	1,167,190.00	682,777.50	1,178,700.00	817,307.50	2,321,456.26	1,670,000.00	2,255,000.00	1,428,387.50	
8/1/2026	—	—	—	195,075.00	1,198,910.00	681,996.26	1,215,400.00	817,370.00	2,321,856.26	1,820,000.00	2,305,000.00	1,514,537.50	
8/1/2027	—	—	—	1,535,075.00	1,237,550.00	684,721.26	—	815,595.00	2,323,156.26	1,980,000.00	2,370,000.00	1,589,537.50	
8/1/2028	—	—	—	1,574,775.00	1,264,000.00	686,321.26	—	817,695.00	2,320,081.26	2,150,000.00	2,450,000.00	1,659,537.50	
8/1/2029	—	—	—	1,624,975.00	1,304,500.00	681,796.26	—	818,445.00	2,319,256.26	2,320,000.00	2,530,000.00	1,734,537.50	
8/1/2030	—	—	—	—	1,385,950.00	685,665.00	—	816,995.00	2,325,406.26	2,495,000.00	2,605,000.00	1,819,537.50	
8/1/2031	—	—	—	—	—	707,700.00	—	828,625.00	2,312,981.26	2,685,000.00	2,690,000.00	1,899,537.50	
8/1/2032	—	—	—	—	—	707,062.50	—	832,762.50	2,307,806.26	2,880,000.00	2,770,000.00	1,989,537.50	
8/1/2033	—	—	—	—	—	—	—	—	3,139,331.26	3,085,000.00	2,840,000.00	2,099,537.50	
8/1/2034	—	—	—	—	—	—	—	—	3,141,356.26	3,290,000.00	2,935,000.00	2,189,537.50	
8/1/2035	—	—	—	—	—	—	—	—	3,141,781.26	3,510,000.00	3,015,000.00	—	
8/1/2036	—	—	—	—	—	—	—	—	3,142,343.76	3,735,000.00	3,115,000.00	—	
8/1/2037	—	—	—	—	—	—	—	—	3,140,312.50	3,975,000.00	3,200,000.00	—	
8/1/2038	—	—	—	—	—	—	—	—	3,140,406.26	4,220,000.00	3,205,000.00	—	
8/1/2039	—	—	—	—	—	—	—	—	3,137,062.50	4,480,000.00	3,195,000.00	—	
8/1/2040	—	—	—	—	—	—	—	—	—	7,885,000.00	3,215,000.00	—	
8/1/2041	—	—	—	—	—	—	—	—	—	8,160,000.00	3,215,000.00	—	
8/1/2042	—	—	—	—	—	—	—	—	—	8,450,000.00	3,195,000.00	—	
8/1/2043	—	—	—	—	—	—	—	—	—	8,745,000.00	3,214,150.00	—	
8/1/2044	—	—	—	—	—	—	—	—	—	9,060,000.00	3,213,075.00	—	
8/1/2045	—	—	—	—	—	—	—	—	—	9,380,000.00	3,215,800.00	—	
8/1/2046	—	—	—	—	—	—	—	—	—	9,720,000.00	3,214,300.00	—	
TOTAL	7,959,288.76	7,626,325.00	5,753,952.08	9,429,260.00	18,929,167.56	13,741,732.66	11,734,305.42	16,657,247.62	68,124,856.38	115,695,000.00	89,737,325.00	27,787,735.21	

*Debt service on the Election of 2010, Series B Bonds is net of the Subsidy Payments.

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 and $20,510,000 Certificates of Participation (2010 Financing Project).

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

Fiscal Year Ending June 30	1998 Refunding COPs	2001 COPs	2010 COPs	Total
2013	$ 769,462.50	$ 259,355.00	$ 1,819,093.76	$ 2,847,911.26
2014	770,332.50	255,517.50	1,842,093.76	2,867,943.76
2015	765,051.88	256,150.00	1,879,093.76	2,900,295.64
2016	763,771.26	256,160.00	2,138,093.76	3,158,025.02
2017	766,181.26	255,500.00	1,495,093.76	2,516,775.02
2018	767,218.76	—	1,005,693.76	1,772,912.52
2019	767,131.26	—	1,044,693.76	1,811,825.02
2020	765,546.88	—	1,083,318.76	1,848,865.64
2021	767,334.38	—	1,119,256.26	1,886,590.64
2022	762,850.01	—	1,152,256.26	1,915,106.27
2023	762,093.76	—	1,192,662.50	1,954,756.26
2024	759,950.01	—	1,234,925.00	1,994,875.01
2025	741,765.63	—	1,273,675.00	2,015,440.63
2026	—	—	1,318,750.00	1,318,750.00
2027	—	—	1,361,750.00	1,361,750.00
2028	—	—	1,410,750.00	1,410,750.00
2029	—	—	1,460,250.00	1,460,250.00
2030	—	—	1,505,000.00	1,505,000.00
2031	—	—	1,515,000.00	1,515,000.00
2032	—	—	1,566,750.00	1,566,750.00
2033	—	—	1,623,000.00	1,623,000.00
2034	—	—	1,673,250.00	1,673,250.00
2035	—	—	1,732,500.00	1,732,500.00
Total	$9,928,690.09	$1,282,682.50	$33,446,950.10	$44,658,322.69

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

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

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, 2012, 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

2011-12 Assessed Valuation:	$4,559,100,163
Redevelopment Incremental Valuation:	2,980,813,464
Adjusted Assessed Valuation:	$1,578,286,699

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/1/12
Bay Area Rapid Transit District	0.362%	$ 1,493,395
Contra Costa Community College District	1.268	2,840,130
Pittsburg Unified School District	**100.**	**159,705,000** (1)
City of Pittsburg 1915 Act Bonds	22.864	4,078,938
East Bay Regional Park District	0.562	727,931
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$168,845,394
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Contra Costa County General Fund Obligations	1.262%	$ 3,807,340
Contra Costa County Pension Obligations	1.262	4,524,207
Contra Costa Community College District Certificates of Participation	1.268	10,841
Contra Costa Fire Protection District Pension Obligations	2.861	3,192,733
Pittsburg Unified School District Certificates of Participation	**100.**	**28,830,000**
City of Pittsburg Pension Obligations	82.943	32,120,553
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$72,485,674
Less: Contra Costa County General Fund Obligations supported by revenue funds		1,429,440
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$71,056,234
GROSS COMBINED TOTAL DEBT		$241,331,068 (2)
NET COMBINED TOTAL DEBT		$239,901,628

(1) Excludes issue 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 2011-12 Assessed Valuation:
Direct Debt ($159,705,000)..3.50%
Total Direct and Overlapping Tax and Assessment Debt................3.70%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($188,535,000) 11.95%
Gross Combined Total Debt 15.29%
Net Combined Total Debt..15.20%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: $0

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIIIA of the California Constitution

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

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

Legislation Implementing Article XIIIA

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

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

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

Article XIIIB of the California Constitution

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

Unitary Property

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

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

California Lottery

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

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In 2011-12, the District budgets to receive $1,348,989 in State Lottery aid at the time of the Second Interim Report. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

Proposition 46

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

Proposition 39

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

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

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

Article XIIIC and XIIID of the California Constitution

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

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

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6,1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

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

Future Initiatives

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

GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

State Funding of Education

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, most school districts in the State receive a significant portion of their funding from State appropriations.

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

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, whichever is greater. 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 ADA set forth in the Constitution. Currently the State allocates basic aid funding within categorical entitlements that would have been received in any event. *The District is not a Basic Aid District.*

State Cash Management Legislation

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

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

Future Initiatives

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

State Budget

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

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

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each House of the Legislature. The Governor may B-14 reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

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

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

Recent State Budgets

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

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

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

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

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

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

On July 2, 2009, as a result of declines in State revenues commencing in fiscal years B-15 2008-09, the State Controller began to issue registered warrants (or "IOUs") for certain lower priority State obligations in lieu of warrants (checks) which could be immediately cashed. The registered warrants, the issuance of which did not require the consent of recipients, bore interest. With enactment of an amended budget in late July, 2009, the State was able to call all its outstanding registered warrants for redemption on September 4, 2009. The issuance of state registered warrants in 2009 was only the second time the State has issued state registered warrants to such types of state creditors since the 1930s.

Furthermore, commencing in fiscal year 2008-09, to better manage its cash flow in light of declining revenues, the State has enacted several statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year, in order to more closely align the State's revenues with its expenditures. This technique has been used several times through the enactment of budget bills in fiscal years 2008-2009 through 2011-12. Some of these statutory deferrals were made permanent, and others were implemented only for one fiscal year.

Fiscal stress and cash pressures currently facing the State may continue or become more difficult, and continuing declines in State tax receipts or other results of the current economic recession may materially adversely affect the financial condition of the State. The Department of Finance has projected that multi-billion dollar budget gaps will occur annually for several years in the future, although the 2012-13 Budget described below includes measures which are intended to address these budgetary difficulties.

2012-13 State Budget.

The Governor signed the fiscal year 2012-13 State budget (the "2012-13 State Budget") on June 27, 2012. The 2012-13 State Budget closes a $15.7 billion budget gap and builds a reserve of nearly $1 billion with (i) $8.1 billion in expenditure reductions, (ii) $6 billion in increased revenues (which assumes the approval by the voters of temporary taxes at the November 2012 election, as further described below) and (iii) $2.5 billion from certain loan and transfer measures. This $15.7 billion budget gap is less than the $26.6 billion budget gap encountered for fiscal year 2011-12. The 2012-13 State Budget purports to position the State to have a balanced budget in an ongoing manner for the first time in over a decade, with future spending expected to stay within available revenues.

The 2012-13 State Budget assumes the passage of The Schools and Local Public Safety Protection Act (the "Temporary Tax Measure") at the November 2012 election. Such measure, if approved by the voters, would increase the personal income tax on the State's wealthiest taxpayers by up to three percent for a period of seven years, and increase the sales tax by one-quarter percent for a period of four years. The 2012-13 State Budget projects that the Temporary Tax Measure will generate an estimated $8.5 billion in revenues in fiscal year 2012-13. Such additional revenues would increase the State's Proposition 98 obligation by $2.9 billion and provide a net benefit of $5.6 billion to the State's general fund. With the assumed voter approval of the Temporary Tax Measure, the 2012-13 State Budget provides $53.6 billion in Proposition 98 funding for K-12 schools and community colleges, a $6.7 billion (or 14%) increase from fiscal year 2011-12. Of such increased amount, $6.1 billion is designated for K-12 schools. The 2012-13 State Budget maintains level Proposition 98 programmatic funding for all K-12 schools, pays off $2.2 billion in the amount of payments to K-12 schools and community colleges that are deferred each year, and funds the Quality Education Investment Act program (as described below) within the Proposition 98 guarantee. According to the 2012-13 State Budget, the Temporary Tax Measure is expected to increase Proposition 98 funding for K-12 schools and community colleges by an aggregate amount of $17.2 billion (or 37%) over the next B-16 four fiscal years when compared to fiscal year 2011-12. This projected increase reverses years of cuts in funding for K-12 schools and community colleges.

Proposed K-12 adjustments provided in the 2012-13 State Budget include the following:

- Proposition 98 Adjustments. A decrease approximately $630 million due to (i) eliminating the hold-harmless adjustment provided to K-12 schools from the elimination of the sales tax on gasoline in fiscal year 2010-11, and (ii) using a consistent current value methodology to rebench the Proposition 98 minimum guarantee for the exclusion of child care programs, the inclusion of special education mental health services, and new property tax shifts.

- Redevelopment Agency Asset Liquidation. An increase of $1.21.3 billion in offsetting local property taxes for fiscal year 2012-13 to reflect the distribution of cash assets previously held by redevelopment agencies, which increase in local revenues also reduces Proposition 98 general fund by an identical amount.

- Quality Education Investment Act. A decrease of $450 million in funding for fiscal year 2012-13 with respect to the Quality Education Investment Act. The over-appropriation in fiscal year 2011-12 will be used to prepay the $450 million required to be provided on top of the Proposition 98 minimum guarantee in fiscal year 2012-13. The program will be funded within the Proposition 98 minimum guarantee to achieve one-time savings of $450 million for fiscal year 2012-13.

- K-12 Deferrals. An increase of $2.1 billion in Proposition 98 funding to reduce K-12 inter-year budgetary deferrals from $9.5 billion to $7.4 billion.

- Mandates Block Grant. An increase of $86.2 million from fiscal year 2011-12 to provide a total of $166.6 million for K-12 mandates through a new voluntary block grant, in which participating school districts and county offices of education would receive $28 per student and participating charter schools would receive $14 per student. School districts and county offices of education that choose not to participate in the block grant program would retain their right to submit claims for reimbursement, subject to audit by the State Controller.

- Charter Schools. An increase of $53.7 million in Proposition 98 funding for charter school categorical programs to fund growth in charter school enrollment. Additionally, the 2012- 13 State Budget provides for (i) the expansion of the ability of school districts to convey surplus property to charter schools, (ii) the authorization of county treasurers to provide charter schools with short-term cash loans, and (iii) the authorization of charter schools to participate in the temporary revenue anticipation note financing mechanisms that are currently available to school districts and county offices of education.

- Child Care. Total savings of $294.3 million from (i) the inclusion of part-day centerbased services for 3- and 4- year-olds within the State Preschool Program funded through Proposition 98, (ii) the reduction of child care provider contracts, and (iii) not providing the statutory cost-of-living-adjustment for non-CalWORKs programs.

As stated above, the increased Proposition 98 funding for K-12 schools, among other things, is contingent upon the approval of the Temporary Tax Measure. If the Temporary Tax Measure is not approved by the voters at the November 2012 election, the 2012-13 State Budget includes a backup plan of $6 billion in trigger cuts which would go into effect on January 1, 2013. With respect to K-12 schools, such cuts would (i) reduce funding for K-12 schools and B-17 community colleges by $5.4 billion – a funding decrease equivalent to three weeks of instruction, and (ii) eliminate the ability of the State to begin repaying funding deferrals.

The complete 2012-13 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

Uncertainty Regarding Future State Budgets

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

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

Litigation Challenging State Funding of Education

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

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

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

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

Significant Accounting Policies and Audited Financial Statements

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

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

***Ad Valorem* Property Taxes**

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1, effective with the lien date of January 1, 1997. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Proposition 26

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

Proposition 98

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

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

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

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

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

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

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

Supplemental Information Concerning Litigation Against the State of California

In June 1998, a complaint was filed in Los Angeles County Superior Court challenging the authority of the State Controller to make payments in the absence of a final, approved State Budget. The Superior Court judge issued a preliminary injunction preventing the State

Controller from making payments including those made pursuant to continuing appropriations prior to the enactment of the State's annual budget. As permitted by the State Constitution, the Legislature immediately enacted and the Governor signed an emergency appropriations bill that allowed continued payment of various State obligations, including debt service, and the injunction was stayed by the California Court of Appeal, pending its decision.

On May 29, 2003, the California Court of Appeal for the Second District decided the case of *Steven White, et al. v. Gray Davis (as Governor of the State of California), et al*. The Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of state funds during a budget impasse only when payment is either (i) authorized by a "continuing appropriation" enacted by the Legislature, (ii) authorized by a self-executing provision of the California Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the California Constitution – the provision establishing minimum funding of K-14 education enacted as part of Proposition 98 – did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. The State Controller has concluded that the provisions of the Education Code establishing K-12 and county office revenue limit funding do constitute continuing appropriations enacted by the Legislature and, therefore, the State Controller has indicated that State payments of such amounts would continue during a budget impasse. However, no similar continuing appropriation has been cited with respect to K-12 categorical programs and revenue limit funding for community college districts, and the State Controller has concluded that such payments are not authorized pursuant to a continuing appropriation enacted by the Legislature and, therefore, cannot be paid during a budget impasse. The California Supreme Court granted the State Controller's Petition for Review on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal's decision was addressed by the State Supreme Court.

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

Propositions 1A and 22

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

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

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

State Funding of School Construction

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

$7.329 billion for construction, modernization and related purposes for K-12 school districts was approved by a majority of voters in the November 7, 2006 State-wide election.

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

State Retirement Programs

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

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

County Office of Education

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

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

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

School District Budget Process

School districts are required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. School districts' 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. Under either procedure, the school board must revise its adopted budget within 45 days after the Governor signs the State budget act to reflect any changes in budgeted revenues or expenditures made necessary by the adoption of the State's budget.

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 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 generally is not prepared (though may be at the election of the district). 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 Education Code generally authorizes a school district to temporarily transfer cash from a specific purpose fund to any other district fund by district board action, including transfer of cash from proceeds of general obligation bonds; *provided that*, (a) the transferred cash is repaid to the original fund within the same fiscal year or (b), if transferred within the final 120 days of a fiscal year, then repaid to the original fund within the following fiscal year. However, depending on the circumstances of a particular such transfer, other State law, grant or contractual restrictions, or in the case of proceeds of tax-exempt obligations, federal tax law, may apply and may further restrict the use of such cash.

Accounting Practices

The accounting policies of California school districts conform to generally accepted accounting principles, as modified in accordance with policies and procedures of the California School Accounting Manual. This manual, pursuant to Section 41010 of the Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred. See also "Notes to Financial Statements - Note 1" in Appendix B herein for further discussion of applicable accounting policies.

County Investment Pool

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

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

LEGAL OPINIONS

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

TAX MATTERS

Refunding Bonds. Federal tax law contains a number of requirements and restrictions which apply to the Refunding 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 Refunding 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 Refunding Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Refunding 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 Refunding 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 Refunding 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 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 Refunding Bonds.

Ownership of the Refunding 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 Refunding Bonds should consult their tax advisors as to applicability of any such collateral consequences.

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

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

If a Refunding Bond is purchased at any time for a price that is less than the Refunding 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 Refunding Bonds.

An investor may purchase a Refunding 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 Refunding 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 Refunding Bonds. Investors who purchase a Refunding Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Refunding Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Refunding Bonds.

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 Refunding 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 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 Refunding Bonds. If an audit is commenced, under current procedures the Service may treat the District as a taxpayer and the Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding Bonds is exempt from California Person income taxes.

Ownership of the Refunding 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 Refunding Bonds. Prospective purchasers of the Refunding Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete texts of the final opinions that Bond Counsel expects to deliver upon the issuance of the Refunding Bonds are set forth in APPENDIX C—FORMS OF OPINIONS OF BOND COUNSEL.

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

Interest on the Series B Bonds is includible in gross income for federal income purposes. Ownership of the Series B Bonds may result in other federal income tax consequences to certain taxpayers. Series B Bondholders should consult their tax advisors with respect to the inclusion of interest on the Series B Bonds in gross income for federal income tax purposes and any collateral tax consequences.

Ownership of the Series B Bonds may result in other state and local tax consequences to certain taxpayers, and Bond Counsel expresses no opinion regarding any such consequences arising with respect to the Series B Bonds.

This Official Statement contains tax advice written to market the Series B Bonds. This subsection is informing Series B Bondholders of the following as required under Treas. Reg. §10.35 which is contained in the rules of practice before the Internal Revenue Service, commonly known as Circular 230.

The tax advice contained in this Official Statement is not intended or written by the District, its Bond Counsel, or any other tax practitioner to be used, and it cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer. The tax advice contained in this Official Statement was written to support the promotion or marketing of the Series B Bonds. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The District and Bond Counsel impose no restrictions or limitations on disclosing the content of this Official Statement or of any details of the structure of the Series B Bonds or on the tax treatment or tax structure of the Series B Bonds and the use of proceeds thereof.

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

FINANCIAL ADVISOR

KNN Public Finance, A Division of Zions First National Bank, 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 nine months after the end of the District's fiscal year (which date would be March 31 following the current end of the District's fiscal year on June 30), commencing with the report for the 2011-12 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board (the "MSRB"). The notices of enumerated events will be filed by the District with the MSRB. The specific nature of the information to be made available and to be contained in the notices of material events is summarized below under the caption APPENDIX D—FORMS OF CONTINUING DISCLOSURE CERTIFICATES. 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

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.

RATING

Moody's Investor's Service ("Moody's) have assigned the rating of "Aa3"to the Bonds. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from such organization at the following address: Moody's, 7 World Trade Center, 250 Greenwich Street, New York, NY 10007. Generally, a rating agency bases it rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by Moody's, if in the judgment of Moody's, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

Upon delivery of the Refunding Bonds, the arithmetical accuracy of certain computations included in the schedules provided by the Underwriter on behalf of the District relating to the computation of (a) the adequacy of forecasted receipts of principal and interest on the Federal Securities and cash to be held in the 2004A Escrow Fund to pay, when due, the principal and interest on the Refunded 2004A Bonds, (b) the forecasted payments of principal and interest due on the Refunded 2003 Bonds on and prior to their maturity date, and (c) the yield with respect to the Refunding Bonds and the securities to be deposited to the 2003 Escrow Fund upon the delivery of the Refunding Bonds, will be verified by the Verification Agent. Such verification of the accuracy of the mathematical computations shall be based solely upon information and assumptions supplied to such accountants by the Underwriter. Such accountants have restricted their procedures to examining the arithmetical accuracy of certain computations and have not made a study or evaluation of the information and assumptions on which the computations are based, and accordingly, have not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

UNDERWRITING

The Bonds are being purchased by the Underwriter.

The Underwriter has agreed to purchase the Series B Bonds at a price of $24,806,250.00 (being equal to the aggregate principal amount of the Series B Bonds ($25,000,000), less the Underwriter's discount ($193,750.00). The purchase agreement relating to the Series B Bonds provides that the Underwriter will purchase all of the Series B 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 Series B Bonds, as set forth in the bond purchase agreement relating to the Series B Bonds. The Underwriter may offer and sell Series B 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 Underwriter has agreed to purchase the Refunding Bonds at a price of $14,549,255.65 (being equal to the aggregate principal amount of the Refunding Bonds ($13,265,000.00), plus original issue premium ($1,387,059.40), less the Underwriter's discount ($102,803.75). The purchase agreement relating to the Refunding Bonds provides that the Underwriter will purchase all of the Refunding 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 Refunding Bonds, as set forth in the bond purchase agreement relating to the Refunding Bonds. The Underwriter may offer and sell Refunding Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

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

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

PITTSBURG UNIFIED SCHOOL DISTRICT

By /s/ Linda K. Rondeau
Linda K. Rondeau,
Superintendent

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
2001	57,706	962,076
2002	59,355	974,657
2003	60,259	984,256
2004	60,667	993,958
2005	61,120	1,001,216
2006	60,926	1,007,169
2007	61,324	1,015,672
2008	61,873	1,027,264
2009	62,201	1,038,390
2010	63,096	1,047,948
2011	63,730	1,056,064

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 & 2010 Census Count (as of January 1). Sacramento, California, September 2011.

Employment

The following table summarizes historical employment and unemployment in Contra Costa County.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Contra Costa County
Annual Averages, 2007-2011

	2007	2008	2009	2010	2011
Civilian Labor Force (1)					
Employment	495,400	496,400	*	465,100	469,600
Unemployment (2)	24,300	32,700	*	58,200	54,500
Total	519,700	529,200	n/a	523,300	524,100
Unemployment Rate (3)	4.7%	6.2%	*	11.1%	10.4%

Source: California Employment Development Department, based on March 2011 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.
* Not reported.

The following table summarizes the historical numbers of workers by industry in Contra Costa

Contra Costa County
Annual Average Wage and Salary Employment by Industry*
(Amounts in Thousands)
2006-2010

	2006	2007	2008	2009	2010
Total, All Industries	344,500	346,800	339,500	321,800	312,400
Farm	700	700	700	800	800
Non-Farm:	343,800	346,000	338,800	321,000	311,600
Goods Producing	50,400	49,700	46,500	39,900	36,500
Mining and Logging	—-	—-	—-	—-	—-
Construction	—-	—-	—-	—-	—-
Manufacturing	20,200	20,600	20,700	18,700	18,100
Service Providing	293,400	296,300	292,300	281,100	275,100
Trade, Transportation & Utilities	61,500	62,300	61,200	57,300	55,500
Wholesale Trade	9,100	9,100	8,700	7,700	7,600
Retail Trade	44,000	44,400	43,600	41,200	40,100
Information	13,400	13,000	11,800	10,400	9,800
Financial Activities	32,100	29,100	26,600	25,700	25,500
Professional & Business Services	50,600	49,400	49,300	45,900	43,700
Educational & Health Services	42,700	44,600	45,600	47,700	48,600
Leisure & Hospitality	32,400	33,200	32,800	31,200	31,500
Other Services	12,200	12,500	12,400	11,700	11,600
Government	48,900	52,200	52,600	51,300	48,900

Source: California Employment Development Department, based on March 2011 benchmark.
*Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.

Major Employers

The largest employers in the City are as follows:

LARGEST EMPLOYERS
City of Pittsburg

Company	Employees
Pittsburg Unified School District	1,200
USS-POSCO Industries	680
Los Medanos Community College	472
Dow Chemical Company	425
Wal-Mart	275
Pittsburg City Officers	239
Target	140
Safeway	114
Best Buy Stores	50
Contra Costa Health Center	37

Source: City of Pittsburg Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2011.

The following table provides a listing of the major employers headquartered or located in the County, listed alphabetically.

Contra Costa County
Major Employers
(Listed Alphabetically)

Company	Product/Service	City
Bay Area Rapid Transit (BART)	Transit Lines	Richmond
Bayer Health Care Phrmctcls	Laboratories-Pharmaceutical (Mfrs)	Richmond
Bio-Rad Laboratories Inc	Biological Products (Mfrs)	Hercules
California State Auto Assn	Automobile Club	Walnut Creek
Chevron Corp	Petroleum Products (Mfrs)	San Ramon
Chevron Global Downstream LLC	Marketing Programs & Services	San Ramon
Concord Naval Weapons Station	Federal Government-National Security	Concord
Contra-Costa Regional Med Ctr	Hospitals	Martinez
Department of Vetrans Affairs	Clinics	Martinez
Doctor's Medical Ctr	Hospitals	San Pablo
John Muir Health Physical Rhb	Physical Therapists	Concord
John Muir Medical Ctr	Hospitals	Concord
John Muir Medical Ctr – Walnut Creek	Hospitals	Walnut Creek
Kaiser Permanente	Hospitals	Walnut Creek
Kaiser Permanente – Martinez	Clinics	Martinez
La Raza Market	Grocers – Retail	Richmond
Muirlab	Laboratories-Medical	Walnut Creek
Richmond City Offices	Government Offices – City, Village & Twp	Richmond
Robert Half Intl	Employment Contractors – Temporary Help	San Ramon
San Ramon Regional Medical Ctr	Hospitals	San Ramon
Shell Oil Prod	Oil Refiners (Mfrs)	Martinez
St. Mary's College of California	Schools-Universities & Colleges Academic	Moraga
Sutter Delta Medical Ctr	Hospitals	Antioch
Tesoro Golden Eagle Refinery	Oil Refiners (Mfrs)	Pacheco
Va Outpatient Clinic	Surgical Centers	Martinez

Source: America's Labor Market Information System (ALMIS) Employer Database, 2012 2nd Edition. Employer information is provided by infoUSA, Omaha, NE, 800/555-5211. Copyright 2012.

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	1,699

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 2010. 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, 2005-2010
City of Pittsburg
(in thousands)

	Taxable Sales ($000)					
	2005	2006	2007	2008	2009	2010
Retail & Food Service	$601,296	$574,908	$548,684	$477,842	$392,290	$398,371
Total Outlets	747,949	705,357	687,405	620,665	601,887	514,129

Source: California Board of Equalization.

TAXABLE SALES, 2005-2010
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[4]	$13,480,075	$13,867,661	$14,086,295	$13,307,681

	2009 [3]	2010 [3]
Retail and Food Services		
Motor Vehicles and Parts Dealers	$ 1,184,803	$ 1,234,844
Furniture and Home Furnishings Stores	225,331	227,432
Electronics and Appliance Stores	385,742	356,124
Bldg Mtrl. and Garden Equip. and Supplies	711,475	718,405
Food and Beverage Stores	657,337	673,326
Health and Personal Care Stores	264,279	264,011
Gasoline Stations	1,151,058	1,312,703
Clothing and Clothing Accessories Stores	642,813	663,243
Sporting Goods, Hobby, Book and Music Stores	314,924	304,491
General Merchandise Stores	1,380,111	1,406,756
Miscellaneous Store Retailers	397,297	382,048
Nonstore Retailers	47,224	46,613
Food Services and Drinking Places	1,111,182	1,126,398
Total Retail and Food Services	8,473,578	8,716,393
All Other Outlets	3,409,471	3,237,454
Totals All Outlets[4]	$11,883,049	$11,953,846

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).
(1) Starting 2007, Specialty Stores Group is included in All Other Retail Stores Group.
(2) Starting 2007, Service Stations are reported separately from "Automotive."
(3) Starting in 2009, categories were revised from prior years. Most recent annual data available.
(4) Totals may not add up due to independent rounding.

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 2007 through 2011.

CITY, COUNTY, STATE AND UNITED STATES
Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
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
2011	City of Pittsburg	$ 1,070,722	$47,065
	Contra Costa County	30,416,350	60,777
	California	814,578,457	47,062
	United States	6,438,704,663	41,253

Source: Nielsen Claritas, Inc.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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PITTSBURG UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2011

christy white
A PROFESSIONAL ACCOUNTANCY CORPORATION

PITTSBURG UNIFIED SCHOOL DISTRICT
OF CONTRA COSTA COUNTY

PITTSBURG, CALIFORNIA

JUNE 30, 2011

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**
Dr. William Wong	President	November 2014
Dr. Laura Canciamilla	Vice President	November 2012
Mr. Robert Belleci	Trustee	November 2014
Mr. Vincent Ferrante	Trustee	November 2014
Mr. George Miller	Trustee	November 2012

DISTRICT ADMINISTRATORS

Ms. Linda Rondeau
Superintendent

Mr. Abe Doctolero
Assistant Superintendent of Educational Services

Ms. Dorothy Epps
Assistant Superintendent of Personnel Services

Mr. Enrique Palacios
Associate Superintendent of Business Services

Ms. Sonya Marturano
Finance Director

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

christy white
A PROFESSIONAL ACCOUNTANCY CORPORATION

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Pittsburg Unified School District
Pittsburg, California

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 year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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; and *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010 – 11*. 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 the 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, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2011 on our consideration of the Pittsburg Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

SAN DIEGO | RANCHO CUCAMONGA
2727 Camino Del Rio South ● Suite 219● San Diego, CA 92108 | 8686 Haven Avenue ● Suite 250● Rancho Cucamonga, CA 91730
tel. 619.270.8222 ● www.cwacpa.com ● fax. 619.260.9085

The required supplementary information, such as management's discussion and analysis on pages 3 through 10, the budgetary comparison information on page 55, and the schedule of funding progress on page 56 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 the 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 the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organization*s, and the Combining Statements – Non-Major Governmental Funds is presented for purposes of additional analysis and is 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 7, 2011

PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

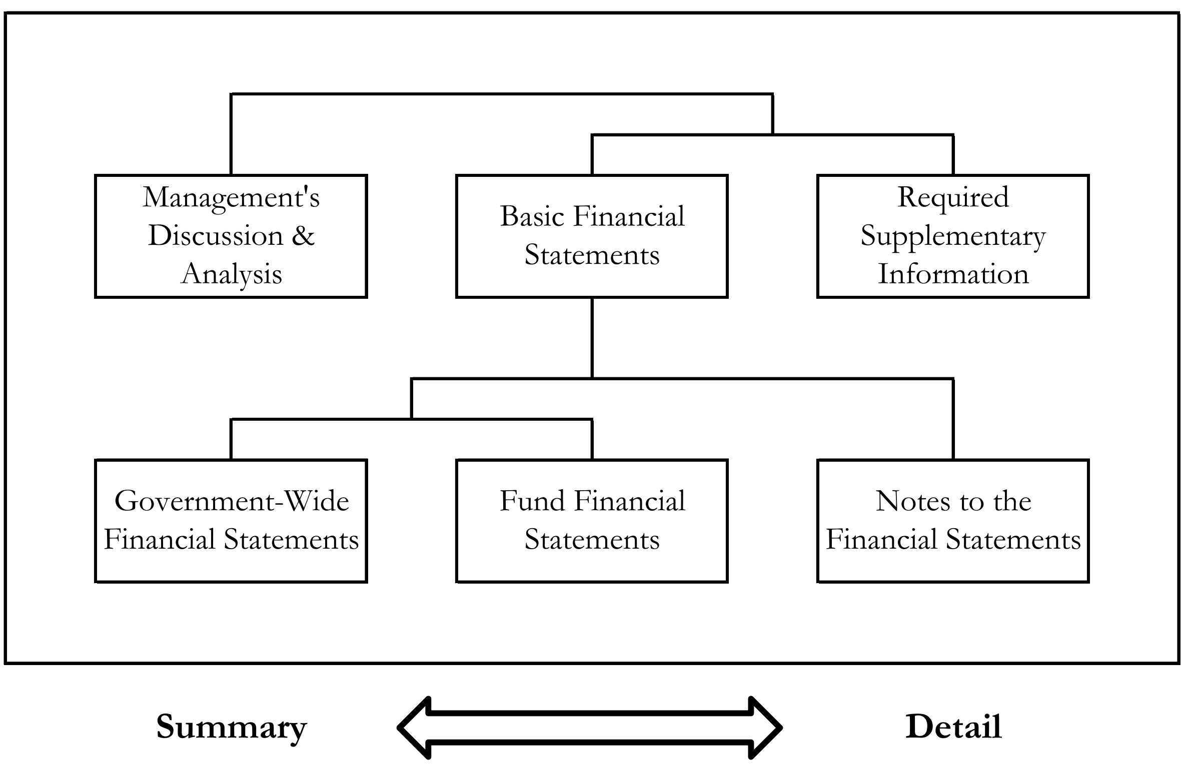
Our discussion and analysis of Pittsburg Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets were $144,857,087 at June 30, 2011. This was an increase of $10,306,287 over the prior year.
- Overall revenues were $112,968,337 which exceeded expenses of $102,662,050 by $10,306,287.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



OVERVIEW OF FINANCIAL STATEMENTS (continued)

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.

    - **Governmental Funds** 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.

    - **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

Government-Wide Statements

The government-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 government'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 government-wide statements report the District's net assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Revenue limit funding and federal and state grants finance most of these activities.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The District's combined net assets were $144,857,087 at June 30, 2011, as reflected in Table A-1 below. Of this amount, $10,802,111 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations.

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

	Governmental Activities		Total Percentage Change
	2010	**2011**	**2010-11**
Current assets	$ 97,531,018	$ 72,791,370	-25%
Noncurrent assets	207,555,869	249,941,267	20%
Total assets	305,086,887	322,732,637	6%
Current liabilities	19,653,148	9,470,986	-52%
Noncurrent liabilities	150,882,939	168,404,564	12%
Total liabilities	170,536,087	177,875,550	4%
Total net assets	$ 134,550,800	$ 144,857,087	8%

District government-wide assets increased primarily due to additions to capital assets, and liabilities increased primarily due to the new certificate of participation.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets

As shown in Table A-2 below, the District's total revenues were $112,968,337. The majority of the revenue comes from General Revenues (68%). The federal and state governments also subsidized programs with grants and contributions (25%). Capital grants and contributions accounted for another 6% of revenues, while 1% of revenues were contributed by users of the District's programs.

The total cost of all programs and services was $102,662,050. The District's expenses are predominately related to educating and caring for students (64%). Pupil Services (including transportation and food) account for 9% of expenses. Administrative activities accounted for just 4% of total costs. Plant services, which represent the facilities maintenance and operations costs, account for 10% of all costs. The remaining expenses were for ancillary services, community services, interest on long-term debt, transfers to other agencies, and depreciation (13%).

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

	Governmental Activities		Total Percentage Change
	2010	**2011**	**2010-11**
Revenues:			
Program revenues			
Charges for services	$ 498,587	$ 719,588	44%
Operating grants and contributions	24,041,161	28,586,943	19%
Capital grants and contributions	20,148,637	6,407,692	-68%
General revenues			
Property taxes	18,318,926	19,256,598	5%
Other revenues	55,114,586	57,997,516	5%
Total revenues	118,121,897	112,968,337	-4%
Expenses:			
Instruction-related	60,867,737	65,816,645	8%
Student support services	8,455,292	9,136,617	8%
Maintenance and operations	14,571,391	9,749,484	-33%
Administration	4,902,550	4,540,923	-7%
Other expenses	11,204,589	13,418,381	20%
Total expenses	100,001,559	102,662,050	3%
Change in net assets	$ 18,120,338	$ 10,306,287	-43%

The 33% decrease in Maintenance and Operations expense is due to the certificate of participation that was not properly accounted for in 2010 – see prior year finding #2010-5 for more information.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets (continued)

As reported in the Statement of Activities on page 12, the cost of all our governmental activities this year was $102,662,050 (refer to Table A-3). The amount that District and state taxpayers ultimately financed for these activities through taxes was only $66,947,827, because the cost was paid by those who benefited from the programs ($719,588), by other governments and organizations who subsidized certain programs with grants and contributions ($28,586,943) or through capital grants and contributions ($6,407,692).

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

	Total Cost of Services	Net Cost of Services
Instructional services	$ 65,816,645	$ 41,233,177
Pupil support services	9,136,617	2,538,783
Maintenance and operations	9,749,484	6,985,924
Administration	4,540,923	3,398,505
Other expenses	13,418,381	12,791,438
Total expenses	$ 102,662,050	$ 66,947,827

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 $70,124,198, which is less than last year's ending fund balance of $81,686,260. The District's General Fund had $6,569,245 less in operating revenues than expenditures in 2010-2011.

CURRENT YEAR BUDGET 2010-11

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on state and local financial information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2010-11 the District had invested $342,634,522 in a broad range of capital assets including land improvements, building construction, work in progress, and equipment. (See Table A-4.) This represents an increase of 14% over last year's amount. (More detailed information about capital assets can be found in Note 4 to the financial statements).

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

	Governmental Activities		Total Percentage Change
	2010	**2011**	**2010-11**
Land	$ 1,785,563	$ 1,785,563	0%
Site improvements	19,290,881	19,290,881	0%
Buildings	202,860,936	206,801,211	2%
Furniture and equipment	5,920,883	5,113,948	-14%
Construction in progress	69,527,305	109,642,919	58%
Total capital assets	$ 299,385,568	$ 342,634,522	14%

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end, the District had $172,266,097 in long-term debt, an increase of 12% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

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

	Governmental Activities		Total Percentage Change
	2010	**2011**	**2010-11**
General obligation bonds	$ 106,680,000	$ 104,255,000	-2%
Premiums	1,112,437	1,058,092	-5%
Certificates of participation	43,775,000	63,680,000	45%
Premiums	-	52,524	100%
Compensated absences	611,699	600,583	-2%
Net OPEB obligation	1,788,148	2,619,898	47%
Total long-term debt	$ 153,967,284	$ 172,266,097	12%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

- At the state level, the budget situation continues to reflect challenging economic times. The 2011 State Budget was balanced on optimistic revenue projections and contains "trigger" language that would reduce school funding mid-year, should the state fail to meet those projections. In addition, one-time sources of federal funding from the American Recovery and Reinvestment Act and the Education Jobs Act are ending and to continue program services funded by these sources will require either new federal funding or a reallocation of district funds. State categorical program flexibility continues for the 2010-11 and 2011-12 fiscal years 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 through 2012-13 and school agencies maintain the flexibility to shorten the school year until 2014-15.

- Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. 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 District's budget for the 2011-12 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.

PITTSBURG UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	47,137,910
Accounts receivable		25,612,405
Inventory		41,055
Total current assets		72,791,370
Deferred charges		2,701,143
Capital assets, non-depreciable		111,428,482
Capital assets, depreciable, net		135,811,642
Total non-current assets		249,941,267
Total Assets		322,732,637
LIABILITIES		
Deficit cash		713,265
Accrued liabilities		3,662,953
Deferred revenue		1,233,235
Long-term liabilities, current portion		3,861,533
Total current liabilities		9,470,986
Long-term liabilities, non-current portion		168,404,564
Total Liabilities		177,875,550
NET ASSETS		
Invested in capital assets, net of related debt		78,241,209
Restricted for		
Capital projects		43,333,944
Debt service		5,841,850
Educational programs		6,637,973
Unrestricted		10,802,111
Total Net Assets	$	144,857,087

The accompanying notes are an integral part of these financial statements.

PITTSBURG UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities
GOVERNMENTAL ACTIVITIES					
Instruction	$ 56,825,069	$ 37,246	$ 16,066,655	$ 6,407,692	$ (34,313,476)
Instruction-related services					
Instructional supervision and administration	1,908,139	-	1,228,916	-	(679,223)
Instructional library, media, and technology	596,738	-	128,450	-	(468,288)
School site administration	6,486,699	8,492	706,017	-	(5,772,190)
Pupil services					
Home-to-school transportation	1,388,542	-	667,781	-	(720,761)
Food services	4,380,557	405,202	4,557,256	-	581,901
All other pupil services	3,367,518	-	967,595	-	(2,399,923)
General administration					
Centralized data processing	622,732	-	-	-	(622,732)
All other general administration	3,918,191	-	1,142,418	-	(2,775,773)
Plant services	9,749,484	205,558	2,558,002	-	(6,985,924)
Ancillary services	258,191	-	-	-	(258,191)
Community services	16,530	-	-	-	(16,530)
Interest on long-term debt	8,239,996	-	-	-	(8,239,996)
Transfer to other agencies	543,103	63,090	563,853	-	83,840
Depreciation (unallocated)	4,360,561	-	-	-	(4,360,561)
Total Governmental Activities	$ 102,662,050	$ 719,588	$ 28,586,943	$ 6,407,692	(66,947,827)
	General revenues				
	Taxes and subventions				
	Property taxes, levied for general purposes				7,583,954
	Property taxes, levied for debt service				8,208,495
	Property taxes, levied for other specific purposes				3,464,149
	Federal and state aid not restricted for specific purposes				57,037,293
	Interest and investment earnings				129,602
	Miscellaneous				830,621
	Subtotal, General Revenue				77,254,114
	CHANGE IN NET ASSETS				10,306,287
	Net Assets - Beginning				134,550,800
	Net Assets - Ending				$ 144,857,087

The accompanying notes are an integral part of these financial statements.

PITTSBURG UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ -	$ 145,213	$ 30,499,756	$ 6,399,986	$ 10,092,955	$ 47,137,910
Accounts receivable	18,647,873	-	6,463,683	-	500,849	25,612,405
Due from other funds	-	-	-	2,000,000	159	2,000,159
Stores inventory	-	-	-	-	41,055	41,055
Total Assets	$ 18,647,873	$ 145,213	$ 36,963,439	$ 8,399,986	$ 10,635,018	$ 74,791,529
LIABILITIES						
Deficit cash	$ 713,265	$ -	$ -	$ -	$ -	$ 713,265
Accrued liabilities	417,023	145,213	-	29,481	128,955	720,672
Due to other funds	159	-	2,000,000	-	-	2,000,159
Deferred revenue	1,233,235	-	-	-	-	1,233,235
Total Liabilities	2,363,682	145,213	2,000,000	29,481	128,955	4,667,331
FUND BALANCES						
Nonspendable	25,000	-	-	-	46,055	71,055
Restricted						
Educational programs	4,801,464	-	-	-	1,836,509	6,637,973
Capital projects	-	-	34,963,439	8,370,505	-	43,333,944
Debt service	-	-	-	-	5,841,850	5,841,850
Committed	-	-	-	-	2,781,649	2,781,649
Assigned	8,062,340	-	-	-	-	8,062,340
Unassigned	3,395,387	-	-	-	-	3,395,387
Total Fund Balances	16,284,191	-	34,963,439	8,370,505	10,506,063	70,124,198
Total Liabilities and Fund Balances	$ 18,647,873	$ 145,213	$ 36,963,439	$ 8,399,986	$ 10,635,018	$ 74,791,529

The accompanying notes are an integral part of these financial statements.

PITTSBURG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total Fund Balance - Governmental Funds			$ 70,124,198
Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:			
Capital assets:			
In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation:			
	Capital assets	$ 342,634,522	
	Accumulated depreciation	(95,394,398)	247,240,124
Unamortized costs:			
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the governmental-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in net long-term debt on the statement of net assets are:			2,701,143
Unmatured interest on long-term debt:			
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(2,942,281)
Long-term liabilities:			
In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
	General obligation bonds payable	$ 105,313,092	
	Net OPEB obligation	2,619,898	
	Compensated absences	600,583	
	Certificates of participation payable	63,732,524	(172,266,097)
Total Net Assets - Governmental Activities			$ 144,857,087

The accompanying notes are an integral part of these financial statements.

PITTSBURG UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Building Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
Revenue limit sources	$ 51,789,070	$ -	$ -	$ -	$ -	$ 51,789,070
Federal sources	9,415,899	-	-	-	4,779,695	14,195,594
Other state sources	19,442,164	-	-	-	8,513,946	27,956,110
Other local sources	5,208,679	17,435	2,862,167	(23,600)	10,962,882	19,027,563
Total Revenues	85,855,812	17,435	2,862,167	(23,600)	24,256,523	112,968,337
EXPENDITURES						
Current						
Instruction	53,280,537	-	-	-	2,744,304	56,024,841
Instruction-related services						
Instructional supervision and administration	1,908,139	-	-	-	-	1,908,139
Instructional library, media, and technology	596,738	-	-	-	-	596,738
School site administration	5,525,863	-	-	-	960,836	6,486,699
Pupil services						
Home-to-school transportation	1,388,542	-	-	-	-	1,388,542
Food services	-	-	-	-	4,517,289	4,517,289
All other pupil services	3,354,469	-	-	-	13,049	3,367,518
General administration						
Centralized data processing	622,732	-	-	-	-	622,732
All other general administration	3,604,748	-	-	-	-	3,604,748
Plant services	8,613,784	-	14,979	-	821,118	9,449,881
Facilities acquisition and maintenance	77,064	18,603,313	14,374,980	2,512,321	8,933,046	44,500,724
Ancillary services	258,191	-	-	-	-	258,191
Community services	16,530	-	-	-	-	16,530
Transfers to other agencies	38,416	-	-	-	-	38,416
Debt service						
Principal	814	-	609,326	-	2,425,000	3,035,140
Interest and other	-	-	3,932,298	-	4,841,998	8,774,296
Total Expenditures	79,286,567	18,603,313	18,931,583	2,512,321	25,256,640	144,590,424
Excess (Deficiency) of Revenues						
Over Expenditures	6,569,245	(18,585,878)	(16,069,416)	(2,535,921)	(1,000,117)	(31,622,087)
Other Financing Sources (Uses)						
Transfers in	-	454,151	-	2,000,000	2,408,468	4,862,619
Other sources	-	-	20,564,712	-	-	20,564,712
Transfers out	(2,913,155)	-	(2,000,000)	(454,151)	-	(5,367,306)
Net Financing Sources (Uses)	(2,913,155)	454,151	18,564,712	1,545,849	2,408,468	20,060,025
NET CHANGE IN FUND BALANCE	3,656,090	(18,131,727)	2,495,296	(990,072)	1,408,351	(11,562,062)
Fund Balance - Beginning	12,628,101	18,131,727	32,468,143	9,360,577	9,097,712	81,686,260
Fund Balance - Ending	$ 16,284,191	$ -	$ 34,963,439	$ 8,370,505	$ 10,506,063	$ 70,124,198

The accompanying notes are an integral part of these financial statements.

PITTSBURG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - Governmental Funds			$	(11,562,062)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:				
Capital outlay:				
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:				
Expenditures for capital outlay:	$	44,358,259		
Depreciation expense:		(4,360,561)		39,997,698
Debt service:				
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:				3,030,000
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 increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:				(20,564,712)
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 is:				
Issue costs incurred during the period:	$	788,095		
Issue costs amortized for the period:		(183,961)		604,134
Gain or loss from the 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:				(313,443)
Unmatured interest on long-term debt:				
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period 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:				(121,227)
Compensated absences:				
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:				11,116
Postemployment benefits other than pensions (OPEB):				
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:				(831,750)
Amortization of debt issue premium or discount:				
In governmental funds, if debt is issued at a premium or at a 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:				56,533
Change in net assets of Governmental Activities			$	10,306,287

The accompanying notes are an integral part of these financial statements.

PITTSBURG UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Retiree Benefit Trust Fund	Private-Purpose Trust Fund	ASB Agency Funds
ASSETS			
Cash and cash equivalents	$ 501,500	$ 102,262	$ 402,261
Total Assets	501,500	102,262	$ 402,261
LIABILITIES			
Due to student groups	-	-	$ 402,261
Total Liabilities	-	-	$ 402,261
NET ASSETS			
Unrestricted	501,500	102,262	
Total Net Assets	$ 501,500	$ 102,262	

The accompanying notes are an integral part of these financial statements.

PITTSBURG UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Retiree Benefit Trust Fund	Private-Purpose Trust Fund
ADDITIONS		
Investment earnings	$ 232	$ 391
Other	-	13,550
Interfund transfers in and other sources	504,687	-
Total Additions	504,919	13,941
DELETIONS		
Other trust activities	304,270	20,719
Total Deletions	304,270	20,719
NET CHANGE IN FUND BALANCE	200,649	(6,778)
Net Assets - Beginning	300,851	109,040
Net Assets - Ending	$ 501,500	$ 102,262

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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. Component Unit

The District and Pittsburg Unified School District Financing Corporation ("the Corporation") have a financial and operational relationship that meets 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 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Component Unit (continued)

The following are those aspects of the relationship between the District and the Facilities District that 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.

3. 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 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Other Related Entities

Joint Powers Authority (JPA). The District is associated with two JPAs. These organizations do not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

- Contra Costa County Schools Insurance Group (CCCSIG)
- Schools' Self Insurance of Contra Costa County (SSICCC)

D. Basis of Presentation

Government-Wide Statements. The statement of net assets and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the LEA in a trustee or agency capacity for others that cannot be used to support the LEA's own programs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

Major Governmental Funds

General Fund. The general fund is the main operating fund of the LEA. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of an LEA's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. An LEA may have only one general fund.

Building Fund. This fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund (Fund 21) are proceeds from the sale or lease-with-option-to-purchase of real property (Education Code Section 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (Education Code Section 41003).

Capital Facilities Fund. This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (Education Code Sections 17620–17626). The authority for these levies may be county/city ordinances (Government Code Sections 65970–65981) or private agreements between the LEA and the developer. Interest earned in the Capital Facilities Fund (Fund 25) is restricted to that fund (Government Code Section 66006).

Special Reserve Fund for Capital Outlay Projects. This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (Education Code Section 42840).

Non-Major Governmental Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Adult Education Fund. This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (Education Code Sections 52616[b] and 52501.5[a]).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

Child Development Fund. This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by an LEA for, or from the operation of, child development services covered under the Child Care and Development Services Act (Education Code Section 8200 et seq.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (Education Code Section 8328).

Cafeteria Special Revenue Fund. This fund is used to account separately for federal, state, and local resources to operate the food service program (Education Code Sections 38090–38093). The Cafeteria Special Revenue Fund (Fund 13) shall be used only for those expenditures authorized by the governing board as necessary for the operation of the LEA's food service program (Education Code Sections 38091 and 38100).

Deferred Maintenance Fund. This fund is used to account separately for state apportionments and the LEA's contributions for deferred maintenance purposes (Education Code Sections 17582–17587). In addition, whenever the state funds provided pursuant to Education Code Sections 17584 and 17585 (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the district (Education Code Sections 17582 and 17583).

Capital Project Funds. Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

County School Facilities Fund. This fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070 et seq.).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

Debt Service Funds. Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund. This fund is used for the repayment of bonds issued for an LEA (*Education Code* Sections 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund (Fund 21) of the LEA. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund (Fund 51) of the LEA. The county auditor maintains control over the LEA's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Fiduciary Funds

Trust and Agency Funds. Trust and Agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the LEA's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Retiree Benefit Fund. This fund exists to account separately for amounts held in trust for the District's MediGap program. The District transfers funds from the General Fund through an agreement with the certificated bargaining unit in-lieu of a 1% pay increase to fund teachers' medical insurance premiums above what Medicare covers.

Foundation Private-Purpose Trust Fund. This fund is used to account separately for gifts or bequests per *Education Code* Section 41031 that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the LEA's own programs.

Student Body Fund. The Student Body Fund is an agency fund and, therefore, consists only of accounts such as Cash and balancing liability accounts, such as Due to Student Groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code* Sections 48930–48938).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements
The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

All governmental activities of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Governmental Funds
Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. All other revenue items are considered to be measurable and available only when the District receives cash. Revenue limits, property taxes, and grant awards are recorded the same as what is described for Government-Wide Statements. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues – Exchange and Non-Exchange Transactions
Revenue limits and other state apportionments are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met. When the annual calculation of the revenue limit (Form K–12 Annual) is made, and the District's actual tax receipts as reported by the county auditor is subtracted, the result determines the annual state aid to which the LEA is entitled. If the difference between the calculated annual state aid and the state aid received on the second principal apportionment is positive a receivable is recorded, and if it is negative a payable is recorded. The District recognizes property tax revenues actually received as reported on CDE's Principal Apportionment Tax Software, used by county offices of education and county auditors to report school district and county taxes. The District makes no accrual for property taxes receivable as of June 30.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting – Measurement Focus (continued)

The District receives grant awards that are "reimbursement type" or "expenditure driven." The eligibility requirements of these awards have not been met until the LEA has made the required expenditures of the grant within the time period specified by the grantor. Revenue is recognized in the period in which the qualifying expenditures are made. Cash received but unspent at the end of the fiscal period is booked as a liability, and revenue is reduced to the amount that has been expended.

The District also receives funds for which they have fulfilled specific eligibility requirements or have provided a particular service. Once the LEAs have provided these services, they have earned the revenue provided. Any unspent money may be carried to the next year to be expended for the same restricted purposes. Revenue is recognized in the period that the service is provided, and any carryover becomes a part of the LEA's ending fund balance.

Deferred Revenue
Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

Expenses/Expenditures
On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the county treasurer for the purpose of increasing earnings though investment activities. The pool's investments are reported at fair value at June 30, 2011, based on market process. The individual funds' portions of the pool's fair value are presented as "Cash in County." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund.

Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Cash in County is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

Inventories and Prepaid Items

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."

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets (continued)

Interfund Balances
On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net assets.

Compensated Absences
Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations
All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs, Premiums, and Discounts
In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Fund Balance
Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets (continued)

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

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the general fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the general fund, that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets (continued)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has related debt outstanding as of June 30, 2011. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

H. Estimates

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

I. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have been included as revenue and expenditures as required under generally accepted accounting principles.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Changes in Accounting Principle

For the fiscal year ended June 30, 2011, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Summary of Deposits and Investments

	Governmental Activities	Fiduciary Funds	Total
Cash on hand and in banks	$ 5,107	$ 402,261	$ 407,368
Revolving cash	30,000	-	30,000
Cash in county	15,233,923	537,607	15,771,530
Cash with fiscal agent	30,616,345	-	30,616,345
LAIF investment	1,252,535	66,155	1,318,690
Total	$ 47,137,910	$ 1,006,023	$ 48,143,933

B. Policies and Practices

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

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

B. Policies and Practices (continued)

Investment in County Treasury – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial 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 based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

C. 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

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

C. General Authorizations (continued)

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 $1,321,403 and an amortized book value of $1,318,690.

Cash with Fiscal Agent - Cash with Fiscal Agent represents $30,616,345 in the Capital Facilities Fund held by US Bank and restricted for construction costs of various capital improvements.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment with the Contra Costa County Investment Pool with a fair value of approximately $15,787,302 and an amortized book value of $15,771,530. The average weighted maturity for this pool is 151 days.

E. 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.

F. Custodial Credit Risk – Deposits

This 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, 2011, the District's bank balance was not exposed to custodial credit risk because the first $250,000 deposited by 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 agent.

NOTE 3 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2011, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	$ 761,637	$ -	$ 450,091	$ 1,211,728
State Government				
Apportionment	12,939,143	-	-	12,939,143
Categorical aid	3,834,063	-	50,758	3,884,821
Lottery	708,600	-	-	708,600
Other Local Sources	404,430	6,463,683	-	6,868,113
Total	$ 18,647,873	$ 6,463,683	$ 500,849	$ 25,612,405

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 01, 2010	Additions	Deductions	Balance June 30, 2011
Governmental Activities				
Capital assets not being depreciated				
Land	$ 1,785,563	$ -	$ -	$ 1,785,563
Construction in progress	69,527,305	44,055,889	3,940,275	109,642,919
Total Capital Assets not Being Depreciated	71,312,868	44,055,889	3,940,275	111,428,482
Capital assets being depreciated				
Land improvements	19,290,881	-	-	19,290,881
Buildings & improvements	202,860,936	3,940,275	-	206,801,211
Furniture & equipment	5,920,883	302,370	1,109,305	5,113,948
Total Capital Assets Being Depreciated	228,072,700	4,242,645	1,109,305	231,206,040
Less Accumulated Depreciation				
Land improvements	17,027,725	449,667	-	17,477,392
Buildings & improvements	70,229,280	3,633,470	-	73,862,750
Furniture & equipment	4,572,694	277,424	795,862	4,054,256
Total Accumulated Depreciation	91,829,699	4,360,561	795,862	95,394,398
Governmental Activities Capital Assets, net	$ 207,555,869	$ 43,937,973	$ 4,253,718	$ 247,240,124

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

	Due From Other Funds		
Due To Other Funds	**Special Reserve for Capital Outlay Fund**	**Non-Major Governmental Funds**	**Total**
General Fund	$ -	$ 159	$ 159
Capital Facilities Fund	2,000,000	-	2,000,000
Total Due From Other Funds	$ 2,000,000	$ 159	$ 2,000,159

Due from the General Fund to the Child Development Fund for encroachment on the General Fund.	$ 159
Due from Capital Facilities Fund to Special Reserve Fund for Capital Outlay Projects for solar project expenditures.	2,000,000
Total	$ 2,000,159

B. Operating Transfers

	Interfund Transfers In				
Interfund Transfers Out	**Building Fund**	**Special Reserve Fund for Capital Outlay Projects**	**Non-Major Governmental Funds**	**Retiree Benefit Trust Fund**	**Total**
General Fund	$ -	$ -	$ 2,408,468	$ 504,687	$ 2,913,155
Capital Facilities Fund	-	2,000,000	-	-	2,000,000
Special Reserve Fund for Capital Outlay Projects	454,151	-	-	-	454,151
Total Interfund Transfers	$ 454,151	$ 2,000,000	$ 2,408,468	$ 504,687	$ 5,367,306

Transfer from General Fund to Adult Education for adult education funding.	$ 2,408,468
Transfer from General Fund to Retiree Benefit Fund for cost of early retirement incentives.	504,687
Transfer from Capital Facilities Fund to Special Reserve Fund for Capital Outlay Projects for solar project expenditures.	2,000,000
Transfer from Special Reserve Fund for Capital Outlay Projects to Building Fund to cover expenditures from 2011-12 bond revenues.	454,151
Total	$ 5,367,306

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2011, consisted of the following:

	General Fund	Building Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	$ 42,887	$ -	$ -	$ 5,617	$ -	$ 48,504
Construction	-	145,213	26,560	-	-	171,773
Vendors payable	374,136	-	-	28,700	-	402,836
Interest payable	-	-	-	-	2,942,281	2,942,281
Other liabilities	-	-	2,921	94,638	-	97,559
Total	$ 417,023	$ 145,213	$ 29,481	$ 128,955	$ 2,942,281	$ 3,662,953

NOTE 7 – DEFERRED REVENUE

The District periodically will receive grant money prior to making expenditures for that grant. The source of that grant money is listed below by fund. The deferred revenue totals at June 30, 2011, consist of the following:

	General Fund
Federal sources	$ 508,962
State categorical sources	724,273
Total	$ 1,233,235

NOTE 8 – LONG-TERM DEBT

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

	Balance July 01, 2010	Additions	Deductions	Balance June 30, 2011	Balance Due In One Year
Governmental Activities					
General Obligation (GO) Bonds	$ 106,680,000	$ -	$ 2,425,000	$ 104,255,000	$ 2,850,000
Premiums	1,112,437	-	54,345	1,058,092	54,345
Certificates of Participation (COPs)	43,775,000	20,510,000	605,000	63,680,000	955,000
Premiums	-	54,712	2,188	52,524	2,188
Compensated absences	611,699	-	11,116	600,583	-
Net OPEB obligation	1,788,148	831,750	-	2,619,898	-
Total	$ 153,967,284	$ 21,396,462	$ 3,097,649	$ 172,266,097	$ 3,861,533

A. General Obligation Bonds

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

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2010	Additions	Deletions	Bonds Outstanding June 30, 2011	Due Within One Year
February 1, 1999	August 1, 2023	4.00% - 7.00%	$ 10,000,000	$ 385,000	$ -	$ 385,000	$ -	$ -
August 13, 2003	August 1, 2024	3.50% - 4.50%	8,825,000	6,660,000	-	465,000	6,195,000	465,000
March 9, 2005	August 1, 2029	3.50% - 12.00%	17,100,000	15,800,000	-	230,000	15,570,000	285,000
August 30, 2005	August 1, 2024	3.40% - 4.375%	8,565,000	7,615,000	-	420,000	7,195,000	435,000
June 8, 2006	August 1, 2030	4.00% - 6.00%	13,350,000	12,650,000	-	125,000	12,525,000	150,000
September 26, 2007	August 1, 2032	4.00% - 8.00%	10,050,000	9,760,000	-	250,000	9,510,000	280,000
September 26, 2007	August 1, 2032	4.00% - 8.00%	15,000,000	12,000,000	-	350,000	11,650,000	355,000
March 12, 2009	August 1, 2039	2.50% - 5.00%	35,000,000	35,000,000	-	140,000	34,860,000	455,000
February 24, 2010	August 1, 2023	2.00% - 5.00%	6,810,000	6,810,000	-	60,000	6,750,000	425,000
			$ 124,700,000	$ 106,680,000	$ -	$ 2,425,000	$ 104,255,000	$ 2,850,000

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

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

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

Year Ended June 30,	Principal	Interest	Total
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	565,000	162,555	727,555
2017-2021	3,220,000	435,088	3,655,088
2022-2023	350,000	7,875	357,875
Total	$ 6,195,000	$ 1,462,050	$ 7,657,050

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

Year Ended June 30,	Principal	Interest	Total
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	470,000	600,226	1,070,226
2017-2021	3,205,000	2,661,771	5,866,771
2022-2026	4,915,000	1,816,947	6,731,947
2027-2030	5,575,000	524,643	6,099,643
Total	$ 15,570,000	$ 8,163,685	$ 23,733,685

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

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 2024, plus interest. Annual interest rates for these General Obligation Bonds range from 3.40% to 4.375%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
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	510,000	206,726	716,726
2017-2021	2,850,000	656,242	3,506,242
2022-2025	1,990,000	141,466	2,131,466
Total	$ 7,195,000	$ 2,001,427	$ 9,196,427

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

Year Ended June 30,	Principal	Interest	Total
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	290,000	528,671	818,671
2017-2021	2,165,000	2,397,659	4,562,659
2022-2026	3,695,000	1,745,579	5,440,579
2027-2031	5,575,000	686,455	6,261,455
Total	$ 12,525,000	$ 7,593,998	$ 20,118,998

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2008 General Obligation Bonds
In 2008, the District issued $10,050,000 of General Obligation Bonds. The Bonds require annual principal payments through 2033, plus interest. Annual interest rates for these General Obligation Bonds range from 4.0% to 8.00%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
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	320,000	360,434	680,434
2017-2021	1,800,000	1,592,776	3,392,776
2022-2026	2,190,000	1,180,211	3,370,211
2027-2031	2,720,000	638,352	3,358,352
2032-2033	1,320,000	63,413	1,383,413
Total	$ 9,510,000	$ 5,408,484	$ 14,918,484

2008 General Obligation Bonds
In 2008, the District issued $15,000,000 of General Obligation Bonds. The Bonds require annual principal payments through 2033, plus interest. Annual interest rates for these General Obligation Bonds range from 4.00% to 8.00%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
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	425,000	435,055	860,055
2017-2021	2,250,000	1,907,486	4,157,486
2022-2026	2,630,000	1,406,338	4,036,338
2027-2031	3,255,000	756,728	4,011,728
2032-2033	1,550,000	74,575	1,624,575
Total	$ 11,650,000	$ 6,496,346	$ 18,146,346

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2010 General Obligation Bonds

On March 12, 2009, the District issued Series B General Obligation Bonds in the amount of $35,000,000. The Bonds require annual principal payments through 2040, plus interest. Annual interest rates for these General Obligation Bonds range from 2.5% to 5%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
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	520,000	1,741,750	2,261,750
2017-2021	3,095,000	8,334,050	11,429,050
2022-2026	4,035,000	7,478,934	11,513,934
2027-2031	5,105,000	6,367,819	11,472,819
2032-2036	9,230,000	4,557,938	13,787,938
2037-2040	10,975,000	1,276,453	12,251,453
Total	$ 34,860,000	$ 36,891,939	$ 71,751,939

2010 General Obligation Refunding Bonds

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:

Year Ended June 30,	Principal	Interest	Total
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	470,000	223,000	693,000
2017-2021	2,630,000	835,000	3,465,000
2022-2024	1,890,000	186,375	2,076,375
Total	$ 6,750,000	$ 2,265,925	$ 9,015,925

NOTE 8 – LONG-TERM DEBT (continued)

B. Certificates of Participation

A summary of the District's certificates of participation is shown below:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 01, 2010	Additions	Deletions	Outstanding June 30, 2011	Due Within One Year
October 7, 1998	August 25, 2024	3.75% - 4.70%	$ 11,720,000	$ 8,325,000	$ -	$ 410,000	$ 7,915,000	$ 425,000
January 11, 2001	September 1, 2016	3.50% - 4.40%	3,000,000	1,555,000	-	195,000	1,360,000	205,000
December 10, 2009	September 1, 2034	3.75% - 6.20%	33,895,000	33,895,000	-	-	33,895,000	-
July 20, 2010	June 1, 2035	3.00% - 5.00%	20,510,000	-	20,510,000	-	20,510,000	325,000
			$ 69,125,000	$ 43,775,000	$ 20,510,000	$ 605,000	$ 63,680,000	$ 955,000

The annual requirements to amortize the certificates of participation are as follows:

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%.

Year Ended June 30,	Principal	Interest	Total
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	495,000	268,771	763,771
2017-2021	2,855,000	978,413	3,833,413
2022-2025	2,765,000	261,659	3,026,659
Total	$ 7,915,000	$ 2,786,106	$ 10,701,106

NOTE 8 – LONG-TERM DEBT (continued)

B. Certificates of Participation (continued)

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%.

Year Ended June 30,	Principal	Interest	Total
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	240,000	256,160	496,160
2017	250,000	255,500	505,500
Total	$ 1,360,000	$ 1,540,336	$ 2,900,336

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%.

Year Ended June 30,	Principal	Interest	Total
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	1,005,000	1,940,031	2,945,031
2017-2021	5,695,000	9,035,176	14,730,176
2022-2026	7,305,000	7,426,588	14,731,588
2027-2031	9,730,000	4,990,900	14,720,900
2032-2035	10,160,000	1,622,230	11,782,230
Total	$ 33,895,000	$ 32,775,049	$ 66,670,049

NOTE 8 – LONG-TERM DEBT (continued)

B. Certificates of Participation (continued)

In July 2010, the Pittsburg Unified School District Financing Corporation issued Certificates of Participation in the amount of $20,510,000, with interest rates ranging from 3.0% to 5.0%.

Year Ended June 30,	Principal	Interest	Total
2012	$ 325,000	$ 928,844	$ 1,253,844
2013	900,000	919,094	1,819,094
2014	950,000	892,094	1,842,094
2015	1,025,000	854,094	1,879,094
2016	1,325,000	813,094	2,138,094
2017-2021	2,135,000	3,613,056	5,748,056
2022-2026	3,015,000	3,157,269	6,172,269
2027-2031	5,000,000	2,252,750	7,252,750
2032-2035	5,835,000	760,500	6,595,500
Total	$ 20,510,000	$ 14,190,795	$ 34,700,795

NOTE 9 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	$ 25,000	$ -	$ -	$ 5,000	$ 30,000
Stores inventory	-	-	-	41,055	41,055
Restricted					
Educational programs	4,801,464	-	-	1,836,508	6,637,972
Capital projects	-	34,963,439	8,370,505	-	43,333,944
Debt service	-	-	-	5,841,850	5,841,850
Committed					
Deferred maintenance	-	-	-	750,292	750,292
Adult education	-	-	-	2,031,358	2,031,358
Assigned					
Mental Health Reserve	1,414,000	-	-	-	1,414,000
Parcel Tax	495,440	-	-	-	495,440
ADA Reserve	6,152,900				6,152,900
Unassigned					
Reserve for economic uncertainties	2,607,372	-	-	-	2,607,372
Unassigned	788,015	-	-	-	788,015
Total	$ 16,284,191	$ 34,963,439	$ 8,370,505	$ 10,506,063	$ 70,124,198

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

NOTE 10 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2011, the following District funds exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
Cafeteria Special Revenue Fund	$ 3,904,215	$ 4,543,895	$ (639,680)
Capital Facilities Fund	$ 3,094,788	$ 20,931,583	$ (17,836,795)
Retiree Benefit Fund	$ 2,400	$ 304,270	$ (301,870)
Foundation Private-Purpose Trust Fund	$ 10,400	$ 20,719	$ (10,319)

NOTE 11 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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.

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:

Annual required contribution	$	1,627,527
Interest on net OPEB obligation		89,408
Adjustment to annual required contribution		(118,099)
Annual OPEB cost (expense)		1,598,836
Contributions made		(767,086)
Increase in net OPEB obligation		831,750
Net OPEB obligation, beginning of the year		1,788,148
Net OPEB obligation, end of the year	$	2,619,898

NOTE 11 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three fiscal years are as follows:

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2008-09	$ 1,627,527	45%	$ 729,632
2009-10	$ 1,615,820	34%	$ 1,788,148
2010-11	$ 1,598,836	48%	$ 2,619,898

Funded Status and Funding Progress – OPEB Plans

As of July 1, 2009, the most recent actuarial valuation date, the District had set aside $300,000 in an irrevocable trust. The actuarial accrued liability (AAL) for benefits was $13.7 million and the unfunded actuarial accrued liability (UAAL) was $13.4 million.

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.

NOTE 11 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

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	7/1/2009
Actuarial Cost Method	Entry age normal
Amortization Method	level percentage of payroll
Remaining amortization period	28 years
Asset Valuation	Unsmoothed market value basis
Actuarial assumptions:	
Investment rate of return	5%
Healthcare cost trend rate	4%

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement 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).

A. 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 and disability benefits 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, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0% 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2010-11	$ 2,891,563	100%
2009-10	$ 2,818,049	100%
2008-09	$ 2,878,698	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 $1,495,552 to CalSTRS (4.267% of salaries subject to CalSTRS in 2010-11).

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS (continued)

B. 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 Laws. 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, CA 95811.

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 rate for fiscal year 2011 was 10.707% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2010-11	$ 1,343,982	100%
2009-10	$ 1,196,747	100%
2008-09	$ 1,124,426	100%

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2011.

C. Construction Commitments

As of June 30, 2011, the District had commitments with respect to unfinished capital projects to be paid from Proposition Measure E and Measure J bond funds.

NOTE 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES

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 neither of the JPAs is a component unit of the District for financial reporting purposes.

NOTE 15 – SUBSEQUENT EVENTS

The District issued $59,999,952 of General Obligation Bonds that were available for delivery on July 14, 2011. The bonds were issued to finance the projects authorized by the voters of the District pursuant to bond authorizations approved in 2006 and 2010. 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.

REQUIRED SUPPLEMENTARY INFORMATION

PITTSBURG UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variances - Positive / (Negative)
	Original	Final	Actual	Final to Actual
REVENUES				
Revenue limit sources				
State aid	$ 38,236,307	$ 43,588,627	$ 43,989,872	$ 401,245
Local sources	7,555,755	7,267,036	7,583,954	316,918
Transfers	198,713	225,166	215,244	(9,922)
Federal sources	5,644,334	9,953,124	9,415,899	(537,225)
Other state sources	15,458,198	16,073,536	19,442,164	3,368,628
Other local sources	4,727,196	4,772,411	5,208,679	436,268
Total Revenues	71,820,503	81,879,900	85,855,812	3,975,912
EXPENDITURES				
Certificated salaries	34,310,901	35,080,823	34,937,948	142,875
Classified salaries	10,328,170	10,583,792	10,738,449	(154,657)
Employee benefits	15,290,352	15,433,308	17,215,311	(1,782,003)
Books and supplies	2,553,034	6,000,379	4,232,601	1,767,778
Services and other operating expenditures	10,319,596	11,874,182	12,036,258	(162,076)
Capital outlay	(1,057)	202,480	86,770	115,710
Other outgo				
Excluding transfers of indirect costs	-	38,416	39,230	(814)
Transfers of indirect costs	(453,874)	(453,874)	-	(453,874)
Total Expenditures	72,347,122	78,759,506	79,286,567	(527,061)
Excess (Deficiency) of Revenues				
Over Expenditures	(526,619)	3,120,394	6,569,245	3,448,851
Other Financing Sources (Uses):				
Transfers in	1,000,000	5,063,602	-	(5,063,602)
Transfers out	(1,897,766)	(6,961,368)	(2,913,155)	4,048,213
Net Financing Sources (Uses)	(897,766)	(1,897,766)	(2,913,155)	(1,015,389)
NET CHANGE IN FUND BALANCE	(1,424,385)	1,222,628	3,656,090	2,433,462
Fund Balance - Beginning	12,628,101	12,628,101	12,628,101	-
Fund Balance - Ending	$ 11,203,716	$ 13,850,729	$ 16,284,191	$ 2,433,462

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) FUNDING PROGRESS AND EMPLOYER CONTRIBUTION
FOR THE YEAR ENDED JUNE 30, 2011

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Actuarial Accrued Liability (AAL) - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
7/1/2009	$ 300,000	$ 13,719,382	$ 13,419,382	2%	$ 48,440,232	28%

SUPPLEMENTARY INFORMATION

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A Cluster			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 2,730,224
Title I, Part A, Program Improvement	84.010	15123	1,439,877
ARRA - Title I - Part A	84.389	15005	401,298
Subtotal Title I, Part A Cluster			4,571,399
Adult Education: Adult Secondary Education	84.002A	13978	33,114
Adult Education: English Literacy and Civics Education	84.002A	14109	112,994
Adult Education: Adult Basic Education and ESL	84.002A	14508	124,635
Title I, Part B, Reading First Program	84.357	14787	19,899
Title II, Part A, Teacher Quality	84.367A	14341	329,968
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512	12,580
Educational Technology State Grants Cluster			
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	20,555
ARRA - Education Technology State Grants	84.386	15019	14,384
Education Technology State Grants Cluster			34,939
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	415,958
Title IV, Part A, Drug-Free Schools	84.186	14347	30,130
Department of Rehab: Workability II, Transition Partnership	84.158	10006	76,730
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,233,452
Part B, Preschool Grants	84.173	13430	34,601
ARRA - Basic Local Assistance Entitlement, Part B	84.391	15003	550,343
ARRA - Part B, Preschool Grants	84.392	15000	3,418
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	39,421
Subtotal Special Education Cluster			1,861,235
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	13923	1,115
Vocational Programs (Carl Perkins Act)	84.048	13924	76,137
ARRA - State Fiscal Stabilization Fund	84.394	24997	981
Education Jobs and Medicaid Assistance Act	84.310	25152	1,618,647
Total U. S. Department of Education			9,320,461
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster			
Basic School Breakfast	10.553	13390	2,966
National School Lunch Program	10.555	13396	2,988,713
Especially Needy Breakfast	10.553	13526	981,563
Meal Supplements	10.557	N/A	173,156
Subtotal Child Nutrition Cluster			4,146,398
ARRA - Child Nutrition Equipment Assistance Grants	10.579	15006	19,857
USDA Commodities	10.558	13389	240,271
Total U. S. Department of Agriculture			4,406,526
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	20,004
Total U. S. Department of Health & Human Services			20,004
Total Federal Expenditures			$ 13,746,991

See accompanying note to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2011

	Second Period Report	Second Period Report After Audit Finding Adjustments	Annual Report
ELEMENTARY			
Kindergarten	727	727	729
First through third	2,374	2,374	2,373
Fourth through sixth	2,205	2,205	2,202
Seventh through eighth	1,355	1,355	1,347
Home and hospital	5	5	5
Opportunity schools and full-day opportunity classes	21	21	23
Special education	156	156	158
Total Elementary	6,843	6,843	6,837
SECONDARY			
Regular classes	2,226	2,226	2,208
Continuation education	156	156	153
Home and hospital	5	5	6
Opportunity schools and full-day opportunity classes	16	16	16
Special education	165	164	164
Total Secondary	2,568	2,567	2,547
Average Daily Attendance Total	9,411	9,410	9,384

See accompanying note to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2011

Grade Level	1982 - 83 Actual Minutes	1982 - 83 Actual Minutes Reduced	1986 - 87 Minutes Requirement	1986 - 87 Minutes Requirement Reduced	2010-11 Actual Minutes	Number of Days	Status
Kindergarten	31,500	30,625	36,000	35,000	36,270	180	Complied
Grade 1	48,230	46,890	50,400	49,000	51,615	180	Complied
Grade 2	48,230	46,890	50,400	49,000	51,615	180	Complied
Grade 3	48,230	46,890	50,400	49,000	51,615	180	Complied
Grade 4	51,030	49,613	54,000	52,500	54,035	180	Complied
Grade 5	51,030	49,613	54,000	52,500	54,035	180	Complied
Grade 6	56,464	54,896	54,000	52,500	61,252	180	Complied
Grade 7	56,464	54,896	54,000	52,500	61,252	180	Complied
Grade 8	56,464	54,896	54,000	52,500	61,252	180	Complied
Grade 9	57,580	55,981	64,800	63,000	65,160	180	Complied
Grade 10	57,580	55,981	64,800	63,000	65,160	180	Complied
Grade 11	57,580	55,981	64,800	63,000	65,160	180	Complied
Grade 12	57,580	55,981	64,800	63,000	65,160	180	Complied

See accompanying note to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

	2012 (Budget)	2011	2010	2009
GENERAL FUND:				
Revenues	$ 78,737,160	$ 85,855,812	$ 75,183,791	$ 78,691,076
Transfers in		-	2,000,000	
Total	78,737,160	85,855,812	77,183,791	78,691,076
Expenditures	74,126,694	79,286,567	73,810,639	75,783,260
Other uses and transfers out	4,211,171	2,913,155	2,584,467	306,289
Total	78,337,865	82,199,722	76,395,106	76,089,549
INCREASE/(DECREASE) IN FUND BALANCE	$ 399,295	$ 3,656,090	$ 788,685	$ 2,601,527
ENDING FUND BALANCE	$ 16,683,486	$ 16,284,191	$ 12,628,101	$ 11,839,416
AVAILABLE RESERVES*	$ 2,470,943	$ 3,395,387	$ 8,038,247	$ 6,813,188
AVAILABLE RESERVES AS A PERCENTAGE OF OUTGO	3.2%	4.1%	10.5%	9.0%
LONG-TERM DEBT	$ 168,404,564	$ 172,266,097	$ 153,967,284	$ 121,874,092
AVERAGE DAILY ATTENDANCE AT P-2	9,410	9,410	9,079	9,030

The General Fund balance has increased by $4,444,775 over the past two years. The fiscal year 2011-2012 budget projects a further increase of $399,295. For a district this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2011-2012 fiscal year. Total long term obligations have increased by $50,392,005 over the past two years.

Average daily attendance has increased by 380 ADA over the past two years. No change in ADA is anticipated during the 2011-2012 fiscal year.

* Available reserves consist of all unassigned fund balance within the General Fund and the Reserve for Economic Uncertainty.

See accompanying note to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Special Reserve Fund for Other Than Capital Outlay
FUND BALANCE		
June 30, 2011, Unaudited Actuals	$ 10,131,291	$ 6,152,900
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance		
Reclassification for financial statement presentation pursuant to the implementation of GASB Statement #54	6,152,900	(6,152,900)
June 30, 2011 Audited Financial Statements	$ 16,284,191	$ -

* This audit reclassification is made for financial statement presentation purposes only; pursuant to GASB Statement 54 which, when applied, does not recognize these funds as special revenue fund types. Therefore, the fund balances are consolidated with the General Fund. However, the District is permitted under current state law to account for these funds as a special revenue fund type for interim reporting and budgeting purposes.

See accompanying note to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2011

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
ASSETS							
Cash and cash equivalents	$ 1,840,876	$ 197,369	$ 1,362,245	$ 755,977	$ 94,638	$ 5,841,850	$ 10,092,955
Accounts receivable	204,643	28,680	267,526	-	-	-	500,849
Due from other funds	-	159	-	-	-	-	159
Stores inventory	-	-	41,055	-	-	-	41,055
Total Assets	$ 2,045,519	$ 226,208	$ 1,670,826	$ 755,977	$ 94,638	$ 5,841,850	$ 10,635,018
LIABILITIES							
Accrued liabilities	$ 6,690	$ 4,617	$ 17,324	$ 5,686	$ 94,638	$ -	$ 128,955
Total Liabilities	6,690	4,617	17,324	5,686	94,638	-	128,955
FUND BALANCES							
Non-spendable	5,000	-	41,055	-	-	-	46,055
Spendable							
Restricted							
Educational programs	2,471	221,591	1,612,447	-	-	-	1,836,509
Debt service	-	-	-	-	-	5,841,850	5,841,850
Committed	2,031,358	-	-	750,291	-	-	2,781,649
Total Fund Balances	2,038,829	221,591	1,653,502	750,291	-	5,841,850	10,506,063
Total Liabilities and Fund Balance	$ 2,045,519	$ 226,208	$ 1,670,826	$ 755,977	$ 94,638	$ 5,841,850	$ 10,635,018

See accompanying note to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
REVENUES							
Federal sources	$ 348,588	$ 618	$ 4,430,489	$ -	$ -	$ -	$ 4,779,695
Other state sources	46,769	1,666,386	392,067	-	6,361,588	47,136	8,513,946
Other local sources	130,411	47,248	414,332	3,801	2,190,492	8,176,598	10,962,882
Total Revenues	525,768	1,714,252	5,236,888	3,801	8,552,080	8,223,734	24,256,523
EXPENDITURES							
Current							
Instruction	1,571,067	1,173,237	-	-	-	-	2,744,304
Instruction-related services							
School site administration	663,482	297,354	-	-	-	-	960,836
Pupil services							
Food services	-	25,834	4,491,455	-	-	-	4,517,289
All other pupil services	13,049	-	-	-	-	-	13,049
Plant services	328,831	169,990	52,440	269,857	-	-	821,118
Facilities acquisition and maintenance	3,770	-	-	35,840	8,893,436	-	8,933,046
Debt service							
Principal	-	-	-	-	-	2,425,000	2,425,000
Interest and other	-	-	-	-	-	4,841,998	4,841,998
Total Expenditures	2,580,199	1,666,415	4,543,895	305,697	8,893,436	7,266,998	25,256,640
Excess (Deficiency) of Revenues							
Over Expenditures	(2,054,431)	47,837	692,993	(301,896)	(341,356)	956,736	(1,000,117)
Other Financing Sources (Uses)							
Transfers in	2,408,468	-	-	-	-	-	2,408,468
Net Financing Sources (Uses)	2,408,468	-	-	-	-	-	2,408,468
NET CHANGE IN FUND BALANCE	354,037	47,837	692,993	(301,896)	(341,356)	956,736	1,408,351
Fund Balance - Beginning	1,684,792	173,754	960,509	1,052,187	341,356	4,885,114	9,097,712
Fund Balance - Ending	$ 2,038,829	$ 221,591	$ 1,653,502	$ 750,291	$ -	$ 5,841,850	$ 10,506,063

See accompanying note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

A. 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.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2011 or federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2011.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		$ 14,195,594
ARRA: State Fiscal Stabilization Fund (SFSF)	84.394	(428,875)
Medi-Cal Billing Option	93.778	4,852
ARRA - Child Nutrition Equipment Assistance Grants	10.579	(23,963)
Child Development: Quality Improvement Activities	93.778	(617)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$ 13,746,991

B. 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.

C. Schedule of Instructional Time

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

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

NOTE 1 – PURPOSE OF SCHEDULES, continued

D. Schedule of Financial Trends and Analysis

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

E. Schedule of 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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

F. Combining Statements – Non-Major Governmental Funds

These statements provide information on the District's non-major funds.

G. Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration. (Located in the front of the audit report)

OTHER INDEPENDENT AUDITORS' REPORTS

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

Board of Trustees
Pittsburg Unified School District
Pittsburg, California

We have audited the financial statements of Pittsburg Unified School District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Pittsburg Unified School District is responsible for establishing and maintaining effective 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompany schedule of findings and questioned costs as item #2011-1 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

SAN DIEGO | RANCHO CUCAMONGA
2727 Camino Del Rio South ● Suite 219● San Diego, CA 92108 | 8686 Haven Avenue ● Suite 250● Rancho Cucamonga, CA 91730
tel. 619.270.8222 ● **www.cwacpa.com** ● fax. 619.260.9085

Compliance and Other Matters

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 governing board, management, the California Department of Education, the California State Controller's Office, the California Department of Finance, 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 7, 2011

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

Board of Trustees
Pittsburg Unified School District
Pittsburg, California

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 its major federal programs for the year ended June 30, 2011. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

SAN DIEGO | RANCHO CUCAMONGA
2727 Camino Del Rio South ● Suite 219● San Diego, CA 92108 | 8686 Haven Avenue ● Suite 250● Rancho Cucamonga, CA 91730
tel. 619.270.8222 ● **www.cwacpa.com** ● fax. 619.260.9085

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 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 governing board, management, the California Department of Education, the California State Controller's Office, the California Department of Finance, 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 7, 2011

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Pittsburg Unified School District
Pittsburg, California

We have audited Pittsburg Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations for the year ended June 30, 2011. Compliance with the requirements of laws, regulations, contracts, and grants listed below 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 in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above 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 on Pittsburg Unified School District's compliance with the state laws and regulations referred to above.

In connection with the audit referred to above, we selected and tested transactions and records to determine Pittsburg Unified School District's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	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 for:		
School Districts	6	Yes
County offices of education	3	Not Applicable
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes

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PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
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 (including in charter schools):		
General requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or charter schools with only one school serving K - 3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Yes
After school	4	Yes
Before school	5	Yes
Contemporaneous Records of Attendance; for charter schools	1	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	3	Not Applicable

In our opinion, Pittsburg Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010-11* and which are reported in the accompanying Schedule of Audit Findings and Questioned Costs as items #2011-2 and #2011-3.

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

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the California State Controller's Office, the California Department of Finance, 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 7, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PITTSBURG UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	No
Identification of major programs:	

CFDA Number(s)	Name of Federal Program of Cluster
10.553, 10.555, 10.557	Child Nutrition Cluster
84.410	Education Jobs Fund
84.367	Title II, Part A, Teacher Quality
84.027, 84.027A, 84.173, 84.391, 84.392	IDEA Cluster, including ARRA
84.365	Title III, LEP Student Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 412,410
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over state programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for state programs:	Unqualified

FIVE DIGIT CODE	**AB 3627 FINDING TYPE**
30000	Internal Control

FINDING #2011-1: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000)

Criteria: Internal controls should be implemented to minimize the possibility for waste or abuse of Associated Student Body (ASB) resources.

Condition: We found the following internal control deficiencies during the audit of the following ASB organizations:

Los Medanos Elementary:
2 out of 5 cash receipts tested did not have adequate supporting documentation reconciling money received to items sold. One deposit for $1,165 was from a library book fair, but there was no cash receipts or sales analysis maintained as support for sales. The other deposit for $2,273 was for a raffle for which there was no ticket log maintained to support money received to the number of tickets sold. Raffles, or games of chance, are not allowable per Student Funds regulations. The raffle included selling tickets for a limited number of prizes.

Pittsburg High School:
Three out of 8 cash receipts did not contain adequate supporting documentation to reconcile money received to items sold. Two of those receipts were from concession stands at athletic events for which there were no receipts, sales analysis/worksheet, or tally sheet supporting sale revenue totaling $2,012.36. The other receipt was from money received from a Club Carnival fundraiser for which there was also a lack of support – no sales analysis or documentation as to number of items sold or prices in the amount of $225.

Cause: Inadequate support for cash receipts and unallowable activities.

Effect or Potential Effect: Abuse within the District's ASB organizations.

Perspective: A sample of cash receipts selected at two of the District's ASB organizations.

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

District Response: The District provided FCMAT training in ASB Management in April, 2011. The District will continue to provide training each year for all staff involved in ASB accounts.

There were no federal award findings or questioned costs for the year ended June 30, 2011.

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance

FINDING #2011-2: ATTENDANCE ACCOUNTING (10000)

Criteria: Regular class attendance submitted to the California Department of Education should reconcile to the supporting documents that support the local education agency's Average Daily Attendance (California Education Code Section 46000 et seq.). Auditors are required to verify compliance in Section 19817.1 of the Standards and Procedures for Audits of California K-12 Local Educational Agencies.

Condition: We noted attendance discrepancies as follows:

Rancho Medanos Junior High
1 out of 20 absent notes tested was incorrectly marked as present in the attendance system. The note was to excuse a student for a 4 day absence, but student was only marked absent for one day. The District overstated attendance by 3 days.

Pittsburg Independent Study:
2 out of 10 students tested had apportionment credit overstated in the attendance system when compared to attendance per teacher signed weekly summaries. 13 total days of attendance overstatement in the system resulted from these inconsistencies.

Questioned Costs: 16 attendance days were overstated as tested (0.11 ADA). There were 145 days in the District's P-2 reporting period and the District's Base Revenue Limit is $6,521.29. Therefore, the fiscal impact of the ADA overstatement is $720 calculated as follows: (16 days/145 days in P-2 reporting period * $6,521.29). The District has revised P-2 to reflect this change.

Cause: There were inconsistencies between the attendance system and source documents resulting in overstatement of attendance in the 2010-11 school year.

Effect: The District is out of compliance with the State's requirements regarding attendance reporting.

Recommendation: The District should provide training to site attendance personnel.

District Response: On-site training was provided in spring, 2011. The District will provide continued training to site attendance personnel.

FINDING #2011-3: AFTER SCHOOL EDUCATION AND SAFETY (ASES) PROGRAM ATTENDANCE (40000)

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 of the number of students served in the After School programs that was submitted to the State, we found that attendance records for the first half of the reporting period did not reconcile to the District's monthly summary report for Parkside Elementary afterschool program by 22 understated pupils and Willow Cove afterschool program by 29 overstated pupils, thus a net difference of 7 overstated pupils. Then, we tested the district's monthly summaries for the month of October for Willow Cove Elementary, Los Medanos Elementary, and Rancho Medanos Middle School. We noted that there was an overstatement of pupil attendance of 1, 1, and 10 days, respectively for the afterschool program attendance.

In the testing of the number of students served in the Before School programs that was submitted to the State, we found that attendance records for the first half of the reporting period did not reconcile to the District's monthly summary report for Rancho Medanos Middle School before school program by 899 overstated pupils and Hillview Middle School by 682 overstated pupils. Then, we tested the district's monthly summaries for the month of October for Rancho Medanos Middle School. We noted that there was an understatement of pupil attendance of 2 days before school program attendance.

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 19 student days of attendance for after school and 1,579 student days of attendance for before school, 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.

Prior Audit 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:

<u>Pittsburg High School</u>

- 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.

<u>Hillview Junior High</u>

- 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.

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

Current Status: Partially implemented, see Finding #2011-1.

Prior Year Audit 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.

Current Status: Implemented.

Prior Year Audit 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 2011 reconciliations for the General Fund and Adult Education Fund were reconciled in late October 2011. 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.

Current Status: Implemented.

Prior Year Audit 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.

Current Status: Implemented.

Prior Year Audit 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, 2011. 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.

Current Status: Implemented.

Prior Year Audit Finding #2010-6: After School Education and Safety (ASES) Program Attendance (40000)

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 2011. 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.

Questioned Costs: None. Despite the errors found, the District appears to have met the minimum participation levels for full funding.

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.

Current Status: Partially implemented, see Finding #2011-3.

Prior Audit 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.

Current Status: Implemented.

APPENDIX C

FORM OF OPINIONS OF BOND COUNSEL

SERIES B BONDS

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Trustees of the
Pittsburg Unified School District
2000 Railroad Avenue
Pittsburg, California 94565

OPINION: $25,000,000 Pittsburg Unified School District (Contra Costa County, California) Taxable General Obligation Bonds, Election of 2010, Series B (2012) (Direct Payment Qualified School Construction Bonds)

Members of the Board of Trustees:

We have acted as bond counsel to the Pittsburg Unified School District (the "District") in connection with the issuance by the District of $25,000,000 principal amount of Pittsburg Unified School District (Contra Costa County, California) Taxable General Obligation Bonds, Election of 2010, Series B (2012) (Direct Payment Qualified School Construction Bonds) (the "Series B Bonds"), pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code (the "Act"), and a resolution adopted by the Board of Trustees of the District (the "Board") on June 20, 2012 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Attention is called to the fact that we have not been requested to examine, and have not examined, any documents or information relating to the District other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been, or may be supplied to any purchaser of the Series B Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series B Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only matters set forth as our opinion in the Official Statement).

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The District is duly created and validly existing as a school district with the power to issue the Series B Bonds and to perform its obligations under the Resolution and the Series B Bonds.

2. The District Resolution has been duly adopted by the Board and creates a valid first lien on the funds pledged under the Resolution for the security of the Series B Bonds.

3. The Series B Bonds have been duly authorized, executed and delivered by the Board and the Series B Bonds are valid and binding general obligations of the District. The Board of Supervisors of Contra Costa County is required under the Act to levy a tax upon all taxable property in the District for

the interest and redemption of all outstanding bonds of the District, including the Series B Bonds. The Series B Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

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

Ownership of the Series B 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 Series B Bonds.

The rights of the owners of the Series B Bonds and the enforceability of the Series B Bonds and the Resolution 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.

In rendering this opinion, we have relied upon certifications of the District and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

REFUNDING BONDS

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Trustees of the
Pittsburg Unified School District
2000 Railroad Avenue
Pittsburg, California 94565

OPINION: $13,265,000 Pittsburg Unified School District (Contra Costa County, California) 2012 General Obligation Refunding Bonds

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Members of the Board of Trustees:

We have acted as bond counsel to the Pittsburg Unified School District (the "District") in connection with the issuance by the District of $13,265,000 principal amount of Pittsburg Unified School District (Contra Costa County, California) 2012 General Obligation Refunding Bonds (the "Bonds"), pursuant to Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), resolution adopted by the Board of Trustees of the District on June 20, 2012 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The District is duly created and validly existing as a school district with the power to cause the Board to issue the Bonds in its name and to perform its obligations under the Resolution and the Bonds.

2. The Resolution has been duly adopted by the District and creates a valid first lien on the funds pledged under the Resolution for the security of the Bonds.

3. The Bonds have been duly authorized, executed and delivered by the Board and the Bonds are valid and binding general obligations of the District. The Board of Supervisors of Contra Costa County is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Bonds. The Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

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

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

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

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

In rendering this opinion, we have relied upon certifications of the District and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX D

FORMS OF CONTINUING DISCLOSURE CERTIFICATES

SERIES B BONDS

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 District of its $25,000,000 Pittsburg Unified School District (Contra Costa County, California) Taxable General Obligation Bonds, Election of 2010, Series B (2012) (Direct Payment Qualified School Construction Bonds) (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on June 20, 2012 (the "Resolution"). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

"*Annual Report*" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Dissemination Agent*" shall mean KNN Public Finance or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Participating Underwriter*" shall mean the original underwriter of the Bonds, required to comply with the Rule in connection with offering of the Bonds.

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

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2011-12 Fiscal Year, which is due not later than March 31, 2013, 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. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official 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 Resolution.

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

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

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent*. In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

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

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

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners.

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

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Paying Agent under the Resolution. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Date: [Closing Date]

PITTSBURG UNIFIED SCHOOL DISTRICT

By ____
Authorized Officer

ACKNOWLEDGED:

KNN PUBLIC FINANCE, as Dissemination Agent

By ____
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Pittsburg Unified School District
Name of Issue:	Pittsburg Unified School District (Contra Costa County, California) Taxable General Obligation Bonds, Election of 2010, Series B (2012) (Direct Payment Qualified School Construction Bonds)
Date of Issuance:	[Closing Date]

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Issuer in connection with the Issue. The Issuer anticipates that the Annual Report will be filed by _____________.

Dated: ______________________

KNN PUBLIC FINANCE, as Dissemination Agent

By ____
Title ______________________________________

cc: Paying Agent

REFUNDING BONDS

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 District of its $13,265,000 Pittsburg Unified School District (Contra Costa County, California) 2012 General Obligation Refunding Bonds. (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on June 20, 2012 (the "Resolution"). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

"*Annual Report*" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Dissemination Agent*" shall mean KNN Public Finance or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Participating Underwriter*" shall mean the original underwriter of the Bonds, required to comply with the Rule in connection with offering of the Bonds.

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

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2011-12 Fiscal Year, which is due not later than February 31, 2013, 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 Resolution.

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

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

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent*. In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

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

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

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners.

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

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Paying Agent under the Resolution. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Date: [Closing Date]

PITTSBURG UNIFIED SCHOOL DISTRICT

By ____
Authorized Officer

ACKNOWLEDGED:

KNN PUBLIC FINANCE, as Dissemination Agent

By ____
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Pittsburg Unified School District
Name of Issue:	Pittsburg Unified School District (Contra Costa County, California) 2012 General Obligation Refunding Bond
Date of Issuance:	[Closing Date]

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate dated [Closing Date], furnished by the Issuer in connection with the Issue. The Issuer anticipates that the Annual Report will be filed by _____________.

Dated: ______________________

KNN PUBLIC FINANCE, as Dissemination Agent

By ____
Name ______________________________________
Title _______________________________________

cc: Paying Agent

APPENDIX E

BOOK-ENTRY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com 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 Series B Resolution or the Refunding Bond 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 Series B Resolution or the Refunding Bond Resolution, and (iii) the Bonds will be transferable and exchangeable as provided in the Series B Resolution or the Refunding Bond 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 Series B Resolution or the Refunding Bond 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 Series B Resolution or the Refunding Bond 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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