**NEW ISSUE — FULL BOOK-ENTRY**

**RATINGS: Fitch: "AA-"**
**Moody's: "Aa3"**
**(See "RATINGS" herein.)**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.*

# $23,155,000
# BRENTWOOD UNION SCHOOL DISTRICT
## (Contra Costa County, California)
## General Obligation Refunding Bonds, Series 2012

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

***Purpose.*** The captioned bonds (the "Bonds") are being issued by the Brentwood Union School District (the "District") to refund all or a portion of the outstanding principal amount of certain outstanding series of general obligation bonds of the District, as described herein.

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

***Book-Entry Only.*** The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interests in the Bonds. See "THE BONDS" and "APPENDIX E - DTC AND THE BOOK-ENTRY SYSTEM."

***Payments.*** The Bonds are being issued as current interest bonds. Interest with respect to the Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2012. Payments of principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., San Francisco, California, as paying agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants, which will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS - Description of the Bonds."

***Redemption.*** The Bonds are subject to redemption prior to maturity as described in this Official Statement. See "THE BONDS - Redemption."

**MATURITY SCHEDULE**

**(See inside cover)**

***Cover Page.*** This cover page contains certain information for general reference only. It is not a summary of all the provisions of the Bonds. Prospective investors 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 accepted by the Underwriter, subject to the approval as to legality by Orrick, Herrington & Sutcliffe LLP, Irvine, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall, A Professional Law Corporation, San Francisco, California, is serving as Disclosure Counsel to the District. Nossaman LLP, Irvine, California, is serving as counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York, on or about April 17, 2012.*

STONE & YOUNGBERG
A DIVISION OF STIFEL NICOLAUS

The date of this Official Statement is March 28, 2012.

## MATURITY SCHEDULE

**$23,155,000**
**BRENTWOOD UNION SCHOOL DISTRICT**
**(Contra Costa County, California)**
**General Obligation Refunding Bonds, Series 2012**

| Maturity (August 1) | Principal Amount | Interest Rate | Yield | Price | CUSIP† (107280) |
|---|---|---|---|---|---|
| 2012 | $1,440,000 | 2.000% | 0.380% | 100.467 | JP5 |
| 2013 | 1,240,000 | 2.000 | 0.450 | 101.989 | JQ3 |
| 2014 | 1,510,000 | 3.000 | 0.730 | 105.142 | JR1 |
| 2015 | 1,565,000 | 4.000 | 1.030 | 109.578 | JS9 |
| 2016 | 1,530,000 | 4.000 | 1.330 | 111.093 | JT7 |
| 2017 | 1,000,000 | 4.000 | 1.570 | 112.284 | JU4 |
| 2017 | 390,000 | 5.000 | 1.570 | 117.340 | KG3 |
| 2018 | 1,495,000 | 4.000 | 1.860 | 112.643 | JV2 |
| 2019 | 1,265,000 | 4.000 | 2.130 | 112.560 | JW0 |
| 2020 | 1,325,000 | 4.000 | 2.380 | 112.118 | JX8 |
| 2021 | 815,000 | 4.000 | 2.640 | 111.135 | JY6 |
| 2022 | 900,000 | 4.000 | 2.830 | 110.377 | JZ3 |
| 2023 | 1,245,000 | 4.500 | 3.100 | 112.248 C | KA6 |
| 2024 | 1,275,000 | 3.250 | 3.450 | 98.007 | KB4 |
| 2025 | 1,395,000 | 3.375 | 3.650 | 97.120 | KC2 |
| 2026 | 1,655,000 | 3.500 | 3.800 | 96.711 | KD0 |
| 2027 | 1,485,000 | 3.625 | 3.900 | 96.851 | KE8 |
| 2028 | 1,625,000 | 3.750 | 4.000 | 97.024 | KF5 |

C = priced to the par call date of August 1, 2022.

# GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

***Use of Official Statement.*** This Official Statement is submitted in connection with the sale of the Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the District or the Underwriter. This Official Statement and the information contained in this Official Statement are subject to completion or amendment without notice.

***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 relating to the Bonds 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 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

***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". 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.

***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 by the District.

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

***Involvement of Underwriter***. The Underwriter has provided the following sentence for inclusion in this Official Statement. "The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information."

***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.

***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, or the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

# BRENTWOOD UNION SCHOOL DISTRICT

**BOARD OF EDUCATION**

Lori Strauss, *President*
Carlos Sanabria, *Clerk*
Tobi Laird Benz, *Member*
Emil Geddes, *Member*
Heather Partida, *Member*

**DISTRICT ADMINISTRATION**

Dr. Merrill M. Grant, *Superintendent*
Elizabeth A. Robbins, *Chief Business Official*

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## PROFESSIONAL SERVICES

**BOND COUNSEL**
Orrick, Herrington & Sutcliffe LLP
*Irvine, California*

**DISCLOSURE COUNSEL**
Jones Hall, A Professional Law Corporation
*San Francisco, California*

**FINANCIAL ADVISOR**
Caldwell Flores Winters, Inc.
*Emeryville, California*

**UNDERWRITER**
Stone & Youngberg, A Division of Stifel Nicolaus
*Los Angeles, California*

**UNDERWRITER'S COUNSEL**
Nossaman LLP
*Irvine, California*

**BOND REGISTRAR, TRANSFER AGENT, AND PAYING AGENT**
The Bank of New York Mellon Trust Company, N.A.
*San Francisco, California*

**ESCROW BANK**
The Bank of New York Mellon Trust Company, N.A.
*San Francisco, California*

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

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**$23,155,000**
**BRENTWOOD UNION SCHOOL DISTRICT**
**(Contra Costa County, California)**
**General Obligation Refunding Bonds, Series 2012**

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the Bonds captioned above by the Brentwood Union School District (the "**District**").

## INTRODUCTION

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

***The District***. The District provides educational services to the residents of the City of Brentwood (the "**City**"), in Contra Costa County (the "**County**"), in the State of California (the "**State**"). The District currently operates seven elementary schools and three middle schools. Current enrollment is approximately 8,300 students.

See "APPENDIX A – FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE BRENTWOOD UNION SCHOOL DISTRICT, THE CITY OF BRENTWOOD AND CONTRA COSTA COUNTY" and "APPENDIX B – EXCERPTS FROM FISCAL YEAR 2010-11 AUDITED FINANCIAL STATEMENTS," for demographic and financial information regarding the District.

***Purpose***. The Bonds are being issued by the District to refund all or a portion of the following general obligation bonds:

- Brentwood Union School District (Contra Costa County, California) General Obligation Bonds, Election of 1997, Series B, originally issued in the aggregate principal amount of $6,000,000 (the "**Series 2000B Bonds**"), of which the outstanding principal amount of$4,315,000 will be refunded (the "**Refunded Series 2000B Bonds**").

- Brentwood Union School District (Contra Costa County, California) General Obligation Bonds, Election of 1997, Series E, originally issued in the aggregate principal amount of $6,000,000 (the "**Series 2001E Bonds**"), of which the outstanding principal amount of $4,395,000 will be refunded (the "**Refunded Series 2001E Bonds**").

- Brentwood Union Elementary School District (Contra Costa County, California) 2003 Refunding General Obligation Bonds, originally issued in the aggregate principal amount of $8,995,000 (the "**Series 2003 Bonds**"), of which the outstanding principal amount of $4,110,000 will be refunded (the "**Refunded Series 2003 Bonds**").

- Brentwood Union Elementary School District (Contra Costa County, California) General Obligation Bonds, Election of 2003, Series A, originally issued in the aggregate principal amount of $12,000,000 (the "**Series 2004A Bonds**" and, together with the Series 2000B Bonds, the Series 2001 E Bonds and the Series 2003 Bonds, the "**Prior Bonds**"), of which $10,485,000 will be refunded (the "**Refunded Series 2004A Bonds**" and, together with the Refunded Series 2000B Bonds, the Refunded Series 2001E Bonds and the Refunded Series 2003 Bonds, the "**Refunded Prior Bonds**") and $430,000 will remain outstanding (the "**Non-Refunded Series 2004A Bonds**") after issuance of the Bonds.

The Bonds are authorized under (i) Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, (ii) a Paying Agent Agreement dated as of April 1, 2012, by and between the District and The Bank of New York Mellon Trust Company, N.A. (the "**Paying Agent**"), and (iii) a resolution adopted by the Board of Education of the District on March 14, 2012 (the "**Resolution**").

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

The District has other series of general obligation bonds that are payable from *ad valorem* taxes levied on taxable property in the District. For a schedule of the general obligation bonds issued by the District, see "SECURITY FOR THE BONDS – *Ad Valorem* Taxes." See also "PLAN OF REFINANCE."

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

Interest on the Bonds accrues from the Closing Date and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2012. See "THE BONDS - Description of the Bonds."

***Early Redemption.*** The Bonds are subject to optional redemption prior to their maturity as described in "THE BONDS - Redemption."

***Other Information.*** This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the District. The District may impose a charge for copying, mailing and handling.

## PLAN OF REFINANCE

***Refunded Bonds***. The Bonds are being issued by the District to refund all or a portion of the following bonds:

- $4,315,000 of the Series 2000B Bonds maturing in the years 2012 to and including 2020 (the "**Refunded Series 2000B Bonds**"), representing all of the outstanding maturities.

- $4,395,000 of the Series 2001E Bonds maturing in the years 2012 to and including 2026 (the "**Refunded Series 2001E Bonds**"), representing all of the outstanding maturities.

- $4,110,000 of the Series 2003 Bonds maturing in the years 2012 to and including 2018 (the "**Refunded Series 2003 Bonds**"), representing all of the outstanding maturities.

- $10,485,000 of the Series 2004A Bonds maturing in the years 2014 to and including 2028 (the "**Refunded Series 2004A Bonds**"). The Series 2004A Bonds maturing in 2012 and 2013 in the aggregate principal amount of $430,000 (the "**Non-Refunded Series 2004A Bonds**") are not being refunded by the Bonds and will remain outstanding.

***Refunding Plan***. The District will deliver a portion of the proceeds of the Bonds to The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "**Escrow Bank**"), for deposit into an escrow fund (the "**Escrow Fund**") established under an Escrow Agreement (the "**Escrow Agreement**"), by and between the District and the Escrow Bank.

The Escrow Bank will hold all amounts deposited in the Escrow Fund invested in U.S. Treasury obligations as set forth in the Escrow Agreement. From the amounts held in the Escrow Fund, the Escrow Bank will (i) on the date which is 30 days after the Closing Date pay the redemption price of 100% of the Refunded Series 2000B Bonds, together with interest accrued thereon to the date of payment, (ii) on the date which is 30 days after the Closing Date pay the redemption price of 101% of the Refunded Series 2001E Bonds, together with interest accrued thereon to the date of payment, (iii) on the date which is 30 days after the Closing Date pay the redemption price of 100% of the Refunded Series 2003 Bonds, together with interest accrued thereon to the date of payment, and (iv) on August 1, 2013 pay the redemption price of 100% of the Refunded Series 2004A Bonds, together with interest accrued thereon to the date of payment.

*The amounts held by the Escrow Bank in the Escrow Fund are pledged solely to the payment of the Refunded Prior Bonds. The funds deposited in the Escrow Fund will not be available for the payment of debt service with respect to the Bonds*.

### Sources and Uses of Funds

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

| | |
|---|---|
| **Sources of Funds** | |
| Principal Amount of Bonds | $23,155,000.00 |
| Net Original Issue Premium | 1,249,066.05 |
| **Total Sources** | $24,404,066.05 |
| | |
| **Uses of Funds** | |
| Deposit to Escrow Fund | $24,169,723.53 |
| Costs of Issuance* | 234,342.52 |
| **Total Uses** | $24,404,066.05 |

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

### Debt Service Schedules

***The Bonds***. The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions).

**DEBT SERVICE SCHEDULE**

| Year Ending August 1 | Principal | Interest | Debt Service |
|---|---|---|---|
| 2012 | $1,440,000.00 | $240,193.05 | $1,680,193.05 |
| 2013 | 1,240,000.00 | 802,637.50 | 2,042,637.50 |
| 2014 | 1,510,000.00 | 777,837.50 | 2,287,837.50 |
| 2015 | 1,565,000.00 | 732,537.50 | 2,297,537.50 |
| 2016 | 1,530,000.00 | 669,937.50 | 2,199,937.50 |
| 2017 | 1,390,000.00 | 608,737.50 | 1,998,737.50 |
| 2018 | 1,495,000.00 | 549,237.50 | 2,044,237.50 |
| 2019 | 1,265,000.00 | 489,437.50 | 1,754,437.50 |
| 2020 | 1,325,000.00 | 438,837.50 | 1,763,837.50 |
| 2021 | 815,000.00 | 385,837.50 | 1,200,837.50 |
| 2022 | 900,000.00 | 353,237.50 | 1,253,237.50 |
| 2023 | 1,245,000.00 | 317,237.50 | 1,562,237.50 |
| 2024 | 1,275,000.00 | 261,212.50 | 1,536,212.50 |
| 2025 | 1,395,000.00 | 219,775.00 | 1,614,775.00 |
| 2026 | 1,655,000.00 | 172,693.76 | 1,827,693.76 |
| 2027 | 1,485,000.00 | 114,768.76 | 1,599,768.76 |
| 2028 | 1,625,000.00 | 60,937.50 | 1,685,937.50 |
| **Total** | $23,155,000.00 | 7,195,093.07 | $30,350,093.07 |

***Aggregate General Obligation Bond Debt Service Schedule***. The following table shows the aggregate debt service schedule with respect to all of the District's outstanding general obligation bond debt service, assuming no optional redemptions.

## COMBINED DEBT SERVICE SCHEDULE
## FOR GENERAL OBLIGATION BONDS

| Date (August 1) | Election of 1997, Series C Bonds | Non-Refunded Series 2004A Bonds | Election of 2003, Series B Bonds | Election of 2003, Series C Bonds | 2007 Refunding Bonds | The Bonds | Total |
|---|---|---|---|---|---|---|---|
| 2012 | -- | $684,026.26 | $799,507.50 | $750,910.00 | $407,241.26 | $1,680,193.05 | $4,366,365.57 |
| 2013 | -- | 687,626.26 | 795,257.50 | 748,160.00 | 451,728.76 | 2,042,637.50 | 4,782,272.52 |
| 2014 | -- | -- | 790,257.50 | 745,910.00 | 508,591.26 | 2,287,837.50 | 4,386,046.26 |
| 2015 | -- | -- | 779,507.50 | 746,510.00 | 562,041.26 | 2,297,537.50 | 4,445,633.76 |
| 2016 | -- | -- | 778,257.50 | 751,510.00 | 622,078.76 | 2,199,937.50 | 4,632,883.76 |
| 2017 | -- | -- | 777,126.26 | 750,710.00 | 903,178.76 | 1,998,737.50 | 4,505,102.52 |
| 2018 | -- | -- | 774,876.26 | 749,310.00 | 978,528.76 | 2,044,237.50 | 4,812,692.52 |
| 2019 | -- | -- | 776,470.00 | 753,160.00 | 1,244,268.76 | 1,754,437.50 | 4,607,067.50 |
| 2020 | -- | -- | 777,288.76 | 750,805.00 | 1,323,000.00 | 1,763,837.50 | 4,457,531.26 |
| 2021 | $745,000.00 | -- | 776,688.76 | 752,405.00 | 1,165,600.00 | 1,200,837.50 | 3,967,531.26 |
| 2022 | 740,000.00 | -- | 775,288.76 | 753,205.00 | 1,237,600.00 | 1,253,237.50 | 3,233,460.02 |
| 2023 | 740,000.00 | -- | 777,395.00 | 753,205.00 | -- | 1,562,237.50 | 3,601,428.76 |
| 2024 | 740,000.00 | -- | 773,470.00 | 751,885.00 | -- | 1,536,212.50 | 3,623,608.76 |
| 2025 | 725,000.00 | -- | 778,270.00 | 754,610.00 | -- | 1,614,775.00 | 3,769,733.76 |
| 2026 | -- | -- | 776,495.00 | 755,880.00 | -- | 1,827,693.76 | 4,263,247.52 |
| 2027 | -- | -- | 778,330.00 | 751,100.00 | -- | 1,599,768.76 | 4,107,727.52 |
| 2028 | -- | -- | 778,875.00 | 750,175.00 | -- | 1,685,937.50 | 3,214,987.50 |
| 2029 | -- | -- | 777,593.76 | 753,187.50 | -- | -- | 1,530,781.26 |
| 2030 | -- | -- | -- | 749,925.00 | -- | -- | 749,925.00 |
| 2031 | -- | -- | -- | 750,600.00 | -- | -- | 750,600.00 |
| Total | $3.690,000.00 | $1,371,652.52 | $14,040,955.06 | 15,023,162.50 | $9,403,857.58 | $30,350,093.07 | $70,189,724.42 |

# THE BONDS

## Description of the Bonds

***Book-Entry Form.*** The Bonds will be issued in fully registered form without coupons in Authorized Denominations, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"). Purchasers of the Bonds (the "**Beneficial Owners**") will not receive physical certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as paying agent (the "**Paying Agent**"), to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

As long as DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of redemption 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 redemption of the Bonds called for redemption or of any other action premised on such notice. See "APPENDIX E - DTC AND THE BOOK-ENTRY SYSTEM."

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

***Terms of Bonds***. The Bonds will be dated the Closing Date, will mature on August 1 of each year in the principal amounts shown on the inside front cover page of this Official Statement, and will bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the interest rates shown on the inside front cover page of this Official Statement.

Interest on the Bonds will be payable semiannually each February 1 and August 1 (each, an "**Interest Payment Date**"), commencing August 1, 2012. Interest on the Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15$^{th}$ calendar day of the month preceding such Interest Payment Date (the "**Record Date**"), in which event it will bear interest from such Interest Payment Date, or (ii) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date. Interest on the Refunding Bonds will be paid in lawful money of the United States on each Interest Payment Date.

See the maturity schedules on the inside cover page of this Official Statement and "PLAN OF REFINANCE – Debt Service Schedules" above.

## Redemption

***Optional Redemption.*** The Bonds maturing on or after August 1, 2023 are subject to optional redemption on or after August 1, 2022, in whole or in part on any date, from any source of available funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption.

***Notice of Redemption.*** The Paying Agent on behalf and at the expense of the District will mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books at least 30 but not more than 60 days prior to the date fixed for redemption.

The redemption notice will state the date of the notice, the redemption date, the redemption place and the Redemption Price and shall designate the CUSIP numbers, if any, the Bond numbers and the maturity or maturities of the Bonds to be redeemed (except in the event of redemption of all of the Bonds of such maturity or maturities in whole), and will require that such Bonds be then surrendered at the Office of the Paying Agent for redemption at the aggregate amount of principal of and premium, if any, on the Bonds payable upon the redemption thereof (the "**Redemption Price**"), giving notice also that further interest on such Bonds will not accrue from and after the date fixed for redemption.

Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the validity of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption. With respect to any notice of any optional redemption of Bonds, unless at the time such notice is given the Bonds to be redeemed shall be deemed to have been paid within the meaning of the Paying Agent Agreement, such notice will state that such redemption is conditional upon receipt by the Paying Agent, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Paying Agent, are sufficient to pay the Redemption Price of, and accrued interest on, the Bonds to be redeemed, and that if such moneys have not been so received said notice will be of no force and effect and the District will not be required to redeem such Bonds. In the event a notice of redemption of Bonds contains such a condition and such moneys are not so received, the redemption of Bonds as described in the conditional notice of redemption will not be made and the Paying Agent will, within a reasonable time after the date on which such redemption was to occur, give notice to the Persons and in the manner in which the notice of redemption was given, that such moneys were not so received and that there will be no redemption of Bonds pursuant to such notice of redemption.

***Selection of Bonds for Redemption***. Whenever less than all of the Bonds will be optionally redeemed, the Paying Agent will select the Bonds to be redeemed from all Bonds not previously called for redemption among maturities of Bonds as directed in writing by the District. Within a maturity of Bonds, the Paying Agent will select Bonds for redemption by lot.

***Partial Redemption.*** Upon surrender of any Bond redeemed in part only, the District will execute and the Paying Agent will authenticate and deliver to the owner thereof, at the expense of the District, a new Bondin a principal amount equal to the unredeemed portion of the Bond surrendered.

***Effect of Redemption.*** Notice having been mailed, and moneys for the Redemption Price, and the interest to the applicable date fixed for redemption, having been set aside with the Paying Agent, the Bonds to be redeemed will become due and payable on said date and, upon presentation and surrender thereof at the Office of the Paying Agent, said Bonds will be paid at the Redemption Price thereof, together with interest accrued and unpaid to said date.

If, on said date fixed for redemption, moneys for the Redemption Price of all the Bonds to be redeemed, together with interest to said date, shall be held by the Paying Agent so as to be available therefor on such date, and, if notice of redemption thereof has been mailed as aforesaid and not canceled, then, from and after said date, interest on said Bonds shall cease to accrue. All moneys held by or on behalf of the Paying Agent for the redemption of Refunding Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed without liability to such Owners for interest thereon.

**Registration, Transfer and Exchange of Bonds**

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

***Registration Books.*** The Paying Agent will keep or cause to be kept at the office of the Paying Agent, sufficient records for the registration and transfer of ownership of the Bonds (the "**Registration Books**"), which will be open to inspection during regular business hours and upon reasonable notice 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 such records, the ownership of the Bonds.

***Transfer and Exchange of Bonds.*** Any Bond may, in accordance with its terms, be transferred, in whole but not in part, upon the Registration Books, by the person in whose name it is registered or by such person's duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Paying Agent.

Whenever any Bond is surrendered for transfer, the District will execute and the Paying Agent will authenticate and deliver a new Bond of the same maturity in a like principal amount. The Paying Agent will require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the Office of the Paying Agent for a like aggregate principal amount of Bonds of the same maturity of other Authorized Denominations. The Paying Agent will 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.

The Paying Agent shall not be obligated to make any transfer or exchange of Refunding Bonds pursuant to this Section during the period established by the Paying Agent for the selection of Refunding Bonds for redemption, or with respect to any Refunding Bonds selected for redemption.

**Defeasance**

***Discharge of Paying Agent Agreement.*** The Paying Agent Agreement provides that, if (i) the District shall pay or cause to be paid or there shall otherwise be paid to the Owners of all outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated in the Paying Agent Agreement and the Bonds, and (ii) all other amounts due and payable under the Paying Agent Agreement shall have been paid, then all agreements, covenants and other obligations of the District under the Paying Agent Agreement shall thereupon cease, terminate and become void and the Paying Agent shall be discharged and satisfied. The Paying Agent Agreement provides also that when any Bond shall have been paid and if, at the time of such payment, the District shall have kept, performed and observed all of the covenants and promises in such Bond and in the Paying Agent Agreement required or contemplated to be kept, performed and observed by it or on its part on or prior to that time, then the Paying Agent Agreement shall be considered to have been discharged in respect of such Bond, and all agreements, covenants and other obligations of the District under the Paying Agent Agreement shall cease, terminate, become void and be completely discharged and satisfied as to such Bond. The Paying Agent Agreement provides that, notwithstanding the discharge and satisfaction of the Paying Agent Agreement or the discharge and satisfaction of the Paying Agent Agreement in respect of any Bond, those provisions of the Paying Agent Agreement relating to payment of the Bonds, transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Paying Agent in connection with all of the foregoing, shall remain in effect and shall be binding upon the Paying Agent and the Owner of such Bond, and the Paying Agent shall continue to be obligated to hold in trust any moneys or investments then held by the Paying Agent for the payment of the principal of and interest and premium, if any, on such Bonds, and to pay to the Owner of such Bond the funds so held by the Paying Agent as and when such payment becomes due.

***Bonds Deemed To Have Been Paid.*** The Paying Agent Agreement provides that, if moneys shall have been set aside and held by the Paying Agent for the payment or redemption of any Bond, such Bond shall be deemed to have been paid within the meaning and with the effect described above under heading entitled "–Discharge of Paying Agent Agreement." The Paying Agent Agreement also provides that any outstanding Bond shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect described above under heading entitled "–Discharge of Paying Agent Agreement" if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the District shall have given to the Paying Agent in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Paying Agent Agreement, notice of redemption of such Bond on said redemption date, (ii) there shall have been deposited with the Paying Agent either (a) money in an amount which shall be sufficient, or (b) Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the principal of and interest and premium, if any, on such Bond, and (iii) in the event such Bond is not by its terms subject to redemption within the next succeeding 60 days, the District shall have given the Paying Agent, in form satisfactory to the Paying Agent, irrevocable instructions to mail as soon as practicable, a notice to the Owners of such Bond that the deposit required by clause (ii) above has been made with the Paying Agent and that such Bond is deemed to have been paid in accordance with the Paying Agent Agreement and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and interest and premium, if any, on such Bond. The term "Defeasance Securities" is defined in the Paying Agent Agreement to mean non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America.

The Paying Agent Agreement also provides that no Bond shall be deemed to have been paid pursuant to clause (ii) of the previous paragraph unless the District shall have caused to be delivered (a) an executed copy of a Verification Report with respect to such deemed payment, addressed to the District and the Paying Agent, in form and in substance acceptable to the District and the Paying Agent, (b) a copy of the escrow agreement entered into in connection with the deposit pursuant to such clause (ii) resulting in such deemed payment, which escrow agreement shall provide that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities and upon delivery of a new Verification Report, and no reinvestment of Defeasance Securities shall be permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report, and (c) a copy of an opinion of counsel, dated the date of such deemed payment and addressed to the District and the Paying Agent, in form and in substance acceptable to the District and the Paying Agent, to the effect that such Bond has been paid within the meaning and with the effect expressed in the Paying Agent Agreement, the Paying Agent Agreement has been discharged in respect of such Bond and all agreements, covenants and other obligations of the District under the Paying Agent Agreement as to such Bond have ceased, terminated, become void and been completely discharged and satisfied. The term "Verification Report" is defined in the Paying Agent Agreement to mean, with respect to the deemed payment of Bonds pursuant to clause (ii) of the previous paragraph, a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with such deemed payment satisfy the requirements of clause (ii) of the previous paragraph.

## SECURITY FOR THE BONDS

### *Ad Valorem* Taxes

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

***Other Bonds Payable from Ad Valorem Property Taxes***. In addition to the Prior Bonds, the District has previously issued its General Obligation Bonds, 2003 Series C and its 2007 General Obligation Refunding Bonds, which general obligation bonds are all payable from *ad valorem* taxes on a parity with the Bonds. See "DEBT SERVICE SCHEDULE" for a schedule of the general obligation bonds outstanding.

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

***Levy and Collection.*** The County will levy and collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited to the credit of the interest and sinking fund of the District within the County Treasury (the "**Debt Service Fund**").

District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property.

***Annual Tax Rates.*** The amount of the annual *ad valorem* tax levied by the County to repay the 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 Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate.

**Debt Service Fund**

All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund by the County promptly upon the receipt. The County will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Bonds as the same becomes due and payable.

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

**Not a County Obligation**

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

## PROPERTY TAXATION

### Property Tax Collections

The County Board of Supervisors of Contra Costa County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the **"Teeter Plan"**), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The District's participation in the Teeter Plan makes more certain the availability of sufficient funds for the District's repayment of the Bonds.

So long as the Teeter Plan remains in effect, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors can under certain circumstances terminate the Teeter Plan in part or in its entirety with respect to the entire County and, in addition, the Board of Supervisors can terminate the Teeter Plan with respect to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%. In the event that the Teeter Plan were terminated, the amount of the levy of *ad valorem* property taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

### Taxation of State-Assessed Utility Property

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

**Assessed Valuation**

***Assessed Valuation History.*** The table below shows a five-year history of the District's assessed valuation. Over the last five years, the District's total assessed valuation has declined by 31.1%.

**Table 1**
**BRENTWOOD UNION SCHOOL DISTRICT**
**Assessed Valuations of All Taxable Property**
**Fiscal Years 2007-08 to 2011-12**

| | Local Secured | Utility | Unsecured | Total Before Rdv. Increment | Total After Rdv. Increment |
|---|---|---|---|---|---|
| 2007-08 | $8,521,206,773 | $ 249,794 | $131,347,742 | $8,652,804,309 | $7,999,087,302 |
| 2008-09 | 7,782,533,310 | 249,794 | 144,731,957 | 7,927,515,061 | 7,270,250,147 |
| 2009-10 | 6,419,296,609 | 249,794 | 150,856,460 | 6,570,402,863 | 6,016,602,075 |
| 2010-11 | 6,147,964,230 | 1,111,107 | 138,703,197 | 6,287,778,534 | 5,777,452,026 |
| 2011-12 | 5,876,127,819 | 953,943 | 134,544,403 | 6,011,626,165 | 5,513,016,066 |

*Source: California Municipal Statistics, Inc.*

General obligation bonds are not affected by redevelopment increment.

***Proposition 8 Reductions - General.*** Proposition 8 was passed by California voters in November 1978, and provides that property owners are entitled to the lower of (i) the fair market value of their property as of the January 1 lien date for a fiscal year or (ii) the assessed value of their property as determined at the time of purchase or construction, and increased by no more than 2% annually (the "**full cash value**"). See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution."

**Appeals of Assessed Value.** There are two types of appeals of assessed values that could adversely impact property tax revenues within the District. Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the County Assessor. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS".

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

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

***Assessed Valuation by Land Use.*** The following table shows the land use of parcels in the District, according to County records for fiscal year 2011-12. As shown, the majority of land in the District is used for residential purposes.

**Table 2**
**BRENTWOOD UNION SCHOOL DISTRICT**
**Assessed Valuation and Parcels by Land Use**
**Fiscal Year 2011-12**

| | 2011-12 Assessed Valuation (1) | % of Total | No. of Parcels | % of Total |
|---|---|---|---|---|
| Non-Residential: | | | | |
| Agricultural/Vacant Rural | $ 148,910,354 | 2.53% | 384 | 1.89% |
| Commercial/Office | 796,329,884 | 13.55 | 315 | 1.55 |
| Vacant Commercial | 67,870,219 | 1.16 | 119 | 0.59 |
| Industrial | 52,459,155 | 0.89 | 29 | 0.14 |
| Vacant Industrial | 227,727 | 0.00 | 4 | 0.02 |
| Recreational | 31,992,668 | 0.54 | 53 | 0.26 |
| Government/Social/Institutional | 45,954,117 | 0.78 | 58 | 0.29 |
| Miscellaneous | 8,793,695 | 0.15 | 239 | 1.18 |
| Subtotal Non-Residential | $1,152,537,819 | 19.61% | 1,201 | 5.92% |
| | | | | |
| Residential: | | | | |
| Single Family Residence | $4,484,696,564 | 76.32% | 16,175 | 79.68% |
| Condominium/Townhouse | 56,209,389 | 0.96 | 312 | 1.54 |
| Rural Residential | 36,665,119 | 0.62 | 81 | 0.40 |
| Mobile Home | 4,390,682 | 0.07 | 162 | 0.80 |
| 2-4 Residential Units | 12,343,477 | 0.21 | 39 | 0.19 |
| 5+ Residential Units/Apartments | 63,946,282 | 1.09 | 30 | 0.15 |
| Vacant Residential | 65,338,487 | 1.11 | 2,300 | 11.33 |
| Subtotal Residential | $4,723,590,000 | 80.39% | 19,099 | 94.08% |
| | | | | |
| Total | $5,876,127,819 | 100.00% | 20,300 | 10.00% |

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

***Assessed Valuation of Single Family Residential Parcels.*** The following table shows a breakdown of the assessed valuations of improved single-family residential parcels in the District, according to fiscal year 2011-12 assessed valuation.

**Table 3**
**BRENTWOOD UNION SCHOOL DISTRICT**
**Per Parcel 2011-12 Assessed Valuation**
**of Single Family Homes**

| | No. of Parcels | 2011-12 Assessed Valuation | Average Assessed Valuation | Median Assessed Valuation |
|---|---|---|---|---|
| Single Family Residential | 16,175 | $4,484,696,564 | $277,261 | $275,000 |

| 2011-12 Assessed Valuation | No. of Parcels (1) | % of Total | Cumulative % of Total | Total Valuation | % of Total | Cumulative % of Total |
|---|---|---|---|---|---|---|
| $0 - $24,999 | 22 | 0.136% | 0.136% | $ 435,050 | 0.010% | 0.010% |
| $25,000 - $49,999 | 193 | 1.193 | 1.329 | 7,616,920 | 0.170 | 0.180 |
| $50,000 - $74,999 | 179 | 1.107 | 2.436 | 11,151,599 | 0.249 | 0.428 |
| $75,000 - $99,999 | 244 | 1.509 | 3.944 | 21,956,015 | 0.490 | 0.918 |
| $100,000 - $124,999 | 309 | 1.910 | 5.855 | 34,854,190 | 0.777 | 1.695 |
| $125,000 - $149,999 | 645 | 3.988 | 9.842 | 89,378,876 | 1.993 | 3.688 |
| $150,000 - $174,999 | 600 | 3.709 | 13.552 | 98,331,668 | 2.193 | 5.881 |
| $175,000 - $199,999 | 845 | 5.224 | 18.776 | 158,107,309 | 3.525 | 9.406 |
| $200,000 - $224,999 | 1,243 | 7.685 | 26.461 | 264,914,965 | 5.907 | 15.313 |
| $225,000 - $249,999 | 1,921 | 11.876 | 38.337 | 454,453,041 | 10.133 | 25.447 |
| $250,000 - $274,999 | 1,845 | 11.406 | 49.743 | 484,278,724 | 10.798 | 36.245 |
| $275,000 - $299,999 | 1,706 | 10.547 | 60.291 | 488,760,162 | 10.898 | 47.143 |
| $300,000 - $324,999 | 1,676 | 10.362 | 70.652 | 523,133,137 | 11.665 | 58.808 |
| $325,000 - $349,999 | 1,274 | 7.876 | 78.529 | 428,377,932 | 9.552 | 68.360 |
| $350,000 - $374,999 | 1,094 | 6.764 | 85.292 | 394,772,889 | 8.803 | 77.163 |
| $375,000 - $399,999 | 725 | 4.482 | 89.774 | 279,793,769 | 6.239 | 83.402 |
| $400,000 - $424,999 | 583 | 3.604 | 93.379 | 239,626,853 | 5.343 | 88.745 |
| $425,000 - $449,999 | 497 | 3.073 | 96.451 | 216,161,412 | 4.820 | 93.565 |
| $450,000 - $474,999 | 229 | 1.416 | 97.867 | 105,477,852 | 2.352 | 95.917 |
| $475,000 - $499,999 | 127 | 0.785 | 98.652 | 61,733,811 | 1.377 | 97.293 |
| $500,000 and greater | 218 | 1.348 | 100.000 | 121,380,390 | 2.707 | 100.000 |
| Total | 16,175 | 100.000% | | $4,484,696,564 | 100.000% | |

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

***Assessed Valuation by Jurisdiction.*** The following table shows a summary of assessed valuation by jurisdiction for the 2011-12 fiscal year.

**Table 4**
**BRENTWOOD UNION SCHOOL DISTRICT**
**2011-12 Assessed Valuation by Jurisdiction (1)**

| Jurisdiction: | Assessed Valuation in School District | % of School District | Assessed Valuation of Jurisdiction | % of Jurisdiction in School District |
|---|---|---|---|---|
| City of Antioch | $ 284,049,084 | 4.72% | $6,677,473,149 | 4.25% |
| City of Brentwood | 5,551,270,569 | 92.34 | 5,597,919,185 | 99.17 |
| City of Oakley | 1,963,434 | 0.03 | 2,461,557,226 | 0.08 |
| Unincorporated Contra Costa County | 174,343,078 | 2.90 | 29,470,710,768 | 0.59 |
| Total Contra Costa County | $6,011,626,165 | 100.00% | $140,545,941,115 | 4.28 |

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

## Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in Tax Rate Area 10-001 (a typical tax rate area in the District) for fiscal years 2007-08 through 2011-12.

**Table 5**
**BRENTWOOD UNION SCHOOL DISTRICT**
**Summary of *Ad Valorem* Tax Rates**
**$1 per $100 of Assessed Valuation**
**Fiscal Years 2007-08 through 2011-12**
**(Tax Rate Area 10-001)**

| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|---|
| County-wide | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 |
| Bay Area Rapid Transit District | .0076 | .0090 | .0057 | .0031 | .0041 |
| City of Brentwood | .0032 | .0039 | .0054 | .0060 | .0068 |
| East Bay Regional Park | .0080 | .0100 | .0108 | .0084 | .0071 |
| Liberty Union High School District | .0276 | .0289 | .0376 | .0390 | .0386 |
| Brentwood Union School District | .0470 | .0587 | .0682 | .0715 | .0688 |
| Contra Costa Community College District | .0108 | .0066 | .0126 | .0133 | .0144 |
| Total | 1.1042 | 1.1171 | 1.1403 | 1.1413 | 1.1398 |

*Source: California Municipal Statistics, Inc.*

**Tax Levies and Delinquencies**

Shown below is a history of levies and collections in the District, the first portion reflecting delinquencies with respect to the 1% general fund apportionment, and the second portion with respect to the debt service levy for the District's outstanding general obligation bonds only.

**Table 6**
**BRENTWOOD UNION SCHOOL DISTRICT**
**Secured Tax Charges and Delinquencies**
**Fiscal Year 2006-07 through Fiscal Year 2010-11**

| | Secured Tax Charge (1) | Amt. Del. June 30 | % Del. June 30 |
|---|---|---|---|
| 2006-07 | $11,936,286.35 | $405,666.07 | 3.40% |
| 2007-08 | 13,585,746.72 | 651,056.32 | 4.79 |
| 2008-09 | 12,408,348.37 | 495,712.60 | 3.99 |
| 2009-10 | 10,175,133.28 | 272,353.69 | 2.68 |
| 2010-11 | 9,758,576.47 | 167,589.40 | 1.72 |

| | Secured Tax Charge (2) | Amt. Del. June 30 | % Del. June 30 |
|---|---|---|---|
| 2006-07 | $3,316,952.98 | $176,868.61 | 5.33% |
| 2007-08 | 3,979,050.21 | 317,106.69 | 7.97 |
| 2008-09 | 4,468,815.61 | 278,803.72 | 6.24 |
| 2009-10 | 4,274,115.63 | 167,484.80 | 3.92 |
| 2010-11 | 4,298,688.72 | 92,902.24 | 2.16 |

(1) 1% General Fund apportionment. Reflects countywide delinquency rate.
(2) Bond debt service levy.
*Source: California Municipal Statistics, Inc.*

## Major Taxpayers

The following table shows the 20 largest taxpayers in the District as determined by their secured assessed valuations in fiscal year 2011-12:

**Table 7**
**BRENTWOOD UNION SCHOOL DISTRICT**
**Largest 2011-12 Local Secured Taxpayers**

| | Property Owner | Primary Land Use | 2011-12 Assessed Valuation | % of Total (1) |
|---|---|---|---|---|
| 1. | Brentwood Specialty Center LLC | Shopping Center | $110,110,635 | 1.87% |
| 2. | Sand Creek Crossing LLC | Shopping Center | 38,902,800 | 0.66 |
| 3. | John Muir and Mt. Diablo Health | Professional Building | 36,744,748 | 0.63 |
| 4. | Trilogy Vineyards LLC | Residential Development | 36,210,398 | 0.62 |
| 5. | DS Lone Tree Plaza LLC | Shopping Center | 32,284,463 | 0.55 |
| 6. | Discovery Builders Inc. | Residential Development | 24,418,636 | 0.42 |
| 7. | Camden Village LLC | Shopping Center | 23,654,000 | 0.37 |
| 8. | ESC Skepner LLC & Norcal LLC | Shopping Center | 21,835,200 | 0.37 |
| 9. | Brentwood Arbor Ridge LP | Apartments | 21,150,747 | 0.36 |
| 10. | New Urban Comm. & Sciortino LLC | Commercial Land | 19,775,100 | 0.34 |
| 11. | AFE Brentwood Park LLC | Convalescent Home | 19,000,000 | 0.32 |
| 12. | Roddy Ranch PBC LLC | Golf Course | 17,951,940 | 0.31 |
| 13. | Target Corporation | Shopping Center | 17,594,102 | 0.30 |
| 14. | DS Founders LLC | Commercial | 17,209,690 | 0.29 |
| 15. | JC Penny Corporation Inc. | Shopping Center | 17,153,043 | 0.29 |
| 16. | Brentwood Assisted Living LLC | Convalescent Home | 17,000,000 | 0.29 |
| 17. | Deer Creek Partnership | Apartments | 16,745,276 | 0.28 |
| 18. | WK LLC | Commercial | 15,926,000 | 0.27 |
| 19. | Meritage Homes of California Inc. | Residential Development | 15,910,617 | 0.27 |
| 20. | DDR MDT MV Slatten Ranch LP | Shopping Center | 15,711,971 | 0.27 |
| | | | $535,289,366 | 9.11% |

(1) Fiscal Year 2011-12 Local Secured Assessed Valuation: $5,876,127,819.
*Source: California Municipal Statistics, Inc.*

## Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and effective March 1, 2012. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the District; (2) the second column shows the percentage that the District's assessed valuation represents of the total assessed valuation of each public agency identified in the first column; and the third column is an apportionment of the dollar amount of each public agency's outstanding debt to property in the District, as determined by multiplying the total outstanding debt of each agency by the percentage of the District's assessed valuation represented in the second column.

**Table 8**
**BRENTWOOD UNION SCHOOL DISTRICT**
**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT**
**(As of March 1, 2012)**

| | |
|---|---|
| 2011-12 Assessed Valuation: | $6,011,626,165 |
| Redevelopment Incremental Valuation: | 498,610,099 |
| Adjusted Assessed Valuation: | $5,513,016,066 |

| DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: | % Applicable | Debt 3/1/12 | |
|---|---|---|---|
| Bay Area Rapid Transit District | 1.264% | $ 5,214,506 | |
| Contra Costa Community College District | 4.429 | 9,920,296 | |
| Liberty Union High School District | 54.204 | 30,966,745 | |
| **Brentwood Union School District** | **100.000** | **51,574,704** | (1) |
| East Bay Regional Park District | 1.964 | 2,543,871 | |
| City of Brentwood | 99.983 | 4,754,169 | |
| City of Brentwood 1915 Act Bonds | 100.000 | 160,350,768 | |
| California Statewide Communities Development Authority Assessment Districts | 95.832-100.000 | 9,216,060 | |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | $274,541,119 | |
| | | | |
| DIRECT AND OVERLAPPING GENERAL FUND DEBT: | | | |
| Contra Costa County General Fund Obligations | 4.409% | $14,082,518 | |
| Contra Costa County Pension Obligations | 4.409 | 17,628,946 | |
| Contra Costa Community College District Certificates of Participation | 4.429 | 40,968 | |
| **BRENTWOOD UNION SCHOOL DISTRICT CERTIFICATES OF PARTICIPATION** | **100.000** | **2,618,926** | |
| City of Antioch Certificates of Participation | 4.746 | 1,329,117 | |
| City of Brentwood General Fund Obligations | 99.983 | 63,034,282 | |
| City of Oakley Certificates of Participation | 0.089 | 6,835 | |
| Byron-Bethany Irrigation District General Fund Obligations | 0.038 | 2,020 | |
| Contra Costa Fire Protection District Pension Obligations | 0.494 | 551,279 | |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | $99,294,891 | |
| Less: Contra Costa County Obligations supported by revenue funds | | 5,345,917 | |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | $93,948,974 | |
| | | | |
| GROSS COMBINED TOTAL DEBT | | $373,836,010 | (2) |
| NET COMBINED TOTAL DEBT | | $368,490,093 | |

(1) Excludes Bonds to be issued.
(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 ($51,574,704)..................................................... 0.86%**
Total Direct and Overlapping Tax and Assessment Debt....... 4.57%

Ratios to Adjusted Assessed Valuation:
**Combined Direct Debt ($54,193,630).................................. 0.98%**
Gross Combined Total Debt..................................................... 6.78%
Net Combined Total Debt ......................................................... 6.68%

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

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. Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111, 187 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District 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 and all applicable laws.

## Article XIIIA of the California Constitution

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

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

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIIIA.

***Legislation Implementing Article XIIIA***. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

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

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

**Unitary Property**

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

**Constitutional Appropriations Limitation**

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

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

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

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that fifty percent of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution. See "Proposition 98" and "Proposition 111" below.

**Article XIIIC and Article XIIID of the California Constitution**

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

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

Proposition 218 does not affect the *ad valorem* property taxes to be levied by the County to pay debt service on the Bonds.

**Proposition 62**

A statutory initiative ("**Proposition 62**") was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the District be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Fresno County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The District has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

**Proposition 98**

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

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

**Proposition 111**

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

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

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

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

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

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

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

**Proposition 1A**

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State can not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

**Future Initiatives**

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 39, 98 and 111 (which are discussed below) were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

## TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("**Bond Counsel**"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "**Code**") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

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

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

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

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion

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

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

## CONTINUING DISCLOSURE

The District will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District by not later than April 1, nine months after the end of the District's fiscal year(currently June 30$^{th}$), commencing with the report for the 2011-12 fiscal year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized in "APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE," attached to this Official Statement. These covenants have been made in order to assist the Underwriter (as defined below) in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**").

The District has complied with all of its material obligations under existing continuing disclosure undertakings during the past five years.

## 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 to the 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 to collect other revenues or contesting the District's ability to issue and repay the Bonds.

## RATINGS

Upon issuance of the Bonds, Fitch, Inc. ("**Fitch**") and Moody's Investors Service ("**Moody's**") will assign their ratings of "AA-" and "Aa3," respectively.

The District has furnished to Fitch and Moody's information and material which has not been included in this Official Statement. Generally, rating agencies base their ratings on information and material so furnished and on investigations, studies and assumptions made by the rating agencies. The ratings reflect only the view of Fitch and Moody's and an explanation of the significance of such ratings may be obtained from Fitch and Moody's.

There is no assurance that a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by a rating agency, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

## COMPENSATION OF PROFESSIONALS

Payment of the fees and expenses of Orrick, Herrington & Sutcliffe LLP, as Bond Counsel to the District, Jones Hall, A Professional Law Corporation, as disclosure counsel to the District, and Caldwell Flores Winters, Inc. as financial advisor to the District, is contingent upon the issuance of the Bonds.

## UNDERWRITING

Stifel Nicolaus & Company, Incorporated, doing business as Stone & Youngberg, a division of Stifel Nicolaus (the "**Underwriter**") has agreed in a bond purchase contract to purchase the Bonds at an aggregate purchase price of $24,299,868.55 (consisting of the par amount of $23,155,000, *plus* a net original issue premium of $1,249,066.05, and *less* an Underwriter's discount of $104,197.50).

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

## EXECUTION

The execution of this Official Statement and its delivery have been approved by the District Board.

**BRENTWOOD UNION SCHOOL DISTRICT**

By: /s/ Dr. Merrill M. Grant
Dr. Merrill M. Grant,
Superintendent

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# APPENDIX A

# FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE BRENTWOOD UNION SCHOOL DISTRICT AND CONTRA COSTA COUNTY

## GENERAL DISTRICT INFORMATION

### General Information

The District comprises approximately 50 square miles in the eastern part of Contra Costa County, along the south side of the Sacramento River Delta, and provides kindergarten through eighth grade educational services to the residents of the City of Brentwood (the "**City**"). The District operates seven elementary schools (grades K-5) and three middle schools (grades 6-8). Current District enrollment is approximately 8,300 students. The current student-teacher ratio is 26:1 in grades K-3, 23:1 in grades 4-5 and 35:1 in grades 6-8.

### Administration

The District is governed by a five-member Board of Education, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board of Education, together with their office and the date their term expires, are listed below:

| Name | Office | Term Expires |
|---|---|---|
| Lori Strauss | President | November 2012 |
| Carlos Sanabria | Clerk | November 2012 |
| Tobi Laird Benz | Member | November 2014 |
| Emil Geddes | Member | November 2014 |
| Heather Partida | Member | November 2014 |

The day-to-day operations are managed by a board-appointed Superintendent of Schools. Dr. Merrill Grant is the current Superintendent. Elizabeth Robbins serves as the Chief Business Official of the District.

### Recent Enrollment Trends

The following table shows enrollment history for the District for the last five fiscal years, with projected figures through fiscal year 2012-13.

**Table A1**
**BRENTWOOD UNION SCHOOL DISTRICT**
**Annual Enrollment**
**Fiscal Years 2006-07 through 2010-11 (actual)**
**2011-12 through 2013-14 (projected)**

| School Year | Enrollment |
|---|---|
| 2006-07 | 7,710 |
| 2007-08 | 8,105 |
| 2008-09 | 8,247 |
| 2009-10 | 8,273 |
| 2010-11 | 8,300 |
| 2011-12(1) | 8,339 |
| 2012-13(1) | 8,339 |

(1) Projected.
*Source: California Department of Education.*

## Employee Relations

The District employs 750 certificated staff, classified staff and administrators. District employees are not represented by labor unions. Certificated employees negotiate employment and benefit terms through a Teacher Liaison Committee. The District's contract with the Teacher Liaison Committee expires on June 30, 2012.

## District Retirement Systems

The District participates in the State of California Teacher's Retirement System ("**STRS**"). This plan covers basically all full-time certificated employees. Active plan members are required to contribute 8.0% of their salary and the District is to contribute an actuarially determined rate, which was 8.25% of payroll for the 2010-11 fiscal year. The District's contribution to STRS for fiscal year 2008-09, 2009-10 and 2010-11 was 2,759,752, $2,766,291 and $2,676,993, respectively, and for fiscal year 2011-12 $2,662,797 is projected.

The District also participates in the State of California Public Employees' Retirement System ("**PERS**"). This plan covers all classified personnel who are employed four or more hours per day. Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate, which was 10.677% of annual payroll for 2010-11. The District's contribution to PERS for fiscal year 2008-09, 2009-10 and 2010-11 was $649,302, $670,899 and $740,831, respectively, and for fiscal year 2011-12 $726,817 is projected.

Both the PERS and STRS systems are operated on a statewide basis. District contribution rates to these two retirement systems vary annually depending on changes in actuarial assumptions and other factors, such as liability. STRS has a substantial State unfunded liability. Since this liability has not been broken down by the state agency, information is not available showing the District's share.

**Other Post Employment Benefits**

***Plan Description***. The District provides retiree health benefits for eligible retired employees. Employees eligible to participate in the Plan are all current employees with at least 20 years of full-time service with the District and are eligible for pension benefits under either STRS or PERS. The Plan is a single-employer defined benefit health care plan administered by the District which provides contributions towards the purchase of medical insurance to eligible retirees. At June 30, 2011, the Plan had 7 retirees receiving benefits.

***Funding Policy***. The District currently finances benefits on a pay-as-you-go basis. The District's contribution for fiscal year 2010-11 was $1,170,888 to the Plan, all of which was for current premiums. As of October 1, 2007, all retirees contribute 10% of the premiums under the different Plan provisions. Retirees pay the full cost of any dental and vision plans.

***Annual OPEB Cost and Net OPEB Obligation***. The District's annual other postemployment benefit ("**OPEB**") cost (expense) is calculated based on the annual required contribution of the employer ("**ARC**"). For fiscal year 2010-11, the District's annual OPEB cost for the Plan was $397,715. The District's annual OPEB cost, the percentage of annual OPEB cosat contributed to the plan and the net OPEB obligation for the year ended June 30, 2011, were as follows:

| | |
|---|---|
| Annual required contribution ("ARC") | $402,236 |
| Interest on net OPEB obligation | 32,623 |
| Adjustment to ARC | (42,443) |
| Annual OPEB cost (expense) | 392,416 |
| Contributions made | (47,230) |
| Change in net OPEB obligation | 345,186 |
| Net OPEB obligation- beginning of year | 652,473 |
| Net OPEB obligation- end of year | $997,659 |

The District's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal year 2009-10 is as follows:

| Fiscal Year Ended (June 30) | Annual OPEB Cost | Employer Contributions | % of Annual OPEB cost Contributed | Net Ending OPEB Obligation |
|---|---|---|---|---|
| 2009 | $341,836 | 40,976 | 12.0% | $300,860 |
| 2010 | 397,715 | 46,102 | 11.6 | 652,473 |
| 2011 | 392,416 | 47,230 | 12.0 | 997,659 |

According to an Actuarial Report dated July 1, 2009 the District's unfunded Actuarial Accrued Liability was $6,800,485.

For a description of the actuarial methods and assumptions used, see "APPENDIX B – EXCERPTS FROM FISCAL YEAR 2010-11 AUDITED FINANCIAL STATEMENTS- Note 10 – Other Postemployment Benefits (OPEB)."

## DISTRICT FINANCIAL INFORMATION

*The information in this section concerning the operations of the District and the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "SECURITY FOR THE BONDS".*

### 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 financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities. The major fund classification is the general fund which accounts for all financial resources not required to be accounted for in another fund. The District's fiscal year begins on July 1 and ends on June 30.

All governmental funds and fiduciary funds are maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, that is, both measurable and available to finance expenditures for the current period. For more information on the District's accounting method, see Note 1 of "APPENDIX B – EXCERPTS FROM FISCAL YEAR 2009-10 AUDITED FINANCIAL STATEMENTS" attached hereto.

### Financial Statements

The District's Audited Financial Statements for the fiscal year ending fiscal year 2010-11 were prepared by James Marta & Company, Certified Public Accountants, Sacramento, California. Audited financial statements for the District for the fiscal year ended June 30, 2012 and prior fiscal years are on file with the District and available for public inspection at the Superintendent's Office. See Appendix B hereto for excerpts from the 2010-11 Audited Financial Statements. The District has not requested nor did the District obtain permission from James Marta & Company to include the audited financial statements as an appendix to this Official Statement. Accordingly, James Marta & Company has not performed any post-audit review of the financial condition or operations of the District.

The following table shows the audited income and expense statements for the District for the 2008-09 through 2010-11 fiscal years.

**Table A2**
**BRENTWOOD UNION SCHOOL DISTRICT**
**Summary of General Fund Revenues, Expenditures and Changes in Fund Balance**
**For Fiscal Years 2008-09 through 2010-11 (audited)**

| | Audited 2008-09 | Audited 2009-10 | Audited 2010-11 |
|---|---|---|---|
| Revenues | | | |
| Revenue limit | $43,827,810 | $38,542,469 | $41,203,571 |
| Federal revenues | 4,551,973 | 4,059,925 | 4,228,603 |
| Other state revenues | 7,905,824 | 8,168,824 | 7,414,628 |
| Other local revenues | 4,667,208 | 4,374,236 | 4,680,394 |
| Total Revenues | 60,952,815 | 55,145,454 | 57,527,196 |
| | | | |
| Expenditures | | | |
| Instruction | 41,320,153 | - | - |
| Supervision of instruction | 1,102,794 | - | - |
| Instructional library, media and technology | 779,666 | - | - |
| School site administration | 3,769,462 | - | - |
| Home-to-school transportation | 893,681 | | - |
| Food services | 673 | - | - |
| All other pupil services | 1,401,020 | - | - |
| Data processing services | 591,071 | - | - |
| Other General Administration | 1,887,355 | - | - |
| Plant services | 4,400,985 | - | - |
| Facility acquisition and construction | 26,259 | - | - |
| Ancillary services | 82,127 | - | - |
| Other outgo | 142,603 | 109,868 | 110,754 |
| Certificated Salaries | - | 32,914,867 | 31,694,560 |
| Classified Salaries | - | 6,995,964 | 7,101,235 |
| Employee Benefits | - | 8,685,313 | 8,685,811 |
| Books and Supplies | - | 2,025,146 | 1,450,809 |
| Services and operating operating expenditures | - | 5,173,762 | 5,332,962 |
| Capital outlay | - | 418,238 | 551,430 |
| Total Expenditures | 56,397,849 | 56,323,158 | 54,927,561 |
| | | | |
| Excess of Revenues Over/(Under) Expenditures | 4,554,966 | (1,177,704) | 2,599,635 |
| | | | |
| Other Financing Sources (Uses) | | | |
| Interfund transfers in | | 746,610 | 59,265 |
| Interfund transfers out | (111,749) | | |
| Total Other Fin. Source(Uses) | (111,749) | 746,610 | 59,265 |
| | | | |
| Net change in fund balance | 4,443,217 | (431,094) | 2,658,900 |
| | | | |
| Fund Balance, July 1 | 7,867,092 | 12,310,309 | 11,879,215 |
| Fund Balance, June 30 | $12,310,309 | $11,879,215 | $14,538,115 |

*Source: Brentwood Union School District Audit Reports for fiscal years 2008-09 through 2010-11.*

The following table shows Second Interim Report figures for fiscal year 2011-12 for the General Fund, as well as the budgeted and projected figures for fiscal year 2011-12.

**Table A3**
**BRENTWOOD UNION SCHOOL DISTRICT**
**Adopted Budget for Fiscal Year Ending June 30, 2012 and Second Interim Report figures For Fiscal Year Ending June 30, 2012**

| | Adopted Budget 2011-12 | Second Interim 2011-12 |
|---|---|---|
| Revenues | | |
| Revenue Limit Sources | $41,382,195 | $40,931,357 |
| Federal revenues | 4,643,661 | 4,754,459 |
| Other state revenues | 6,540,073 | 6,639,954 |
| Other local revenues | 4,754,103 | 4,806,056 |
| Total Revenues | 57,320,032 | 57,131,826 |
| Expenditures | | |
| Certificated Salaries | 30,666,397 | 31,453,662 |
| Classified Salaries | 7,301,449 | 7,772,136 |
| Employee Benefits | 8,993,269 | 9,230,397 |
| Books and Supplies | 1,471,586 | 1,766,338 |
| Services and Other Operating Expenditures | 5,923,614 | 6,231,847 |
| Capital Outlay | 422,500 | 422,500 |
| Transportation | 95,000 | 95,000 |
| Transfers of Indirect Costs | (76,590) | (76,590) |
| Total Expenditures | 54,797,225 | 56,895,290 |
| Excess of Revenues Over/(Under) Expenditures | 2,522,807 | 236,536 |
| Other Financing Sources (Uses) | | |
| Operating Transfers In | 0 | 0 |
| Operating Transfers Out | 0 | 0 |
| Total Other Financing Sources (Uses) | 0 | 0 |
| Net Change in Fund Balance | 2,522,807 | 236,536 |
| Fund Balance, July 1* | 13,975,759 | 14,358,115 |
| Fund Balance, June 30 | $16,498,566 | $14,774,651 |

* July 1, 2011 general fund balance from Second Interim Report reflects actual June 30, 2011 fund balance shown in the 2010-11 audited financials.
*Source: Brentwood Union School District.*

## Budget Process

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

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

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

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

The District has never had an adopted budget disapproved by the county superintendent of schools, and has never received a "negative" or "qualified" certification of an Interim Financial Report pursuant to AB 1200.

## Long-Term Debt

***General Obligation Bonds***. The outstanding general obligation bonds of the District follows:

| Issue Date | Bonds | Original Principal Amount | Currently Outstanding* |
|---|---|---|---|
| 2001 | Series 2000B Bonds | $6,000,000 | $4,620,000 |
| 2001 | 1997 Series C Bonds (CABs) | 999,704 | 1,844,990 |
| 2002 | 1997 Series D Bonds (CABs) | 1,996,669 | 353,727 |
| 2002 | Series 2001E Bonds | 6,000,000 | 4,600,000 |
| 2003 | Series 2003 Refunding Bonds | 8,995,000 | 4,720,000 |
| 2004 | Series 2004A Bonds | 12,000,000 | 11,105,000 |
| 2005 | Series 2005B Bonds | 12,000,000 | 10,080,000 |
| 2007 | GO Bonds, 2003 Series C | 11,000,000 | 10,360,000 |
| 2007 | 2007 GO Refunding Bonds | 7,175,000 | 7,120,000 |

* Does not reflect defeasance of the Refunded Prior Bonds.

A table of the combined debt service for the Non-Refunded Series 2000B Bonds, the Non-Refunded Series 2001E Bonds, the Non-Refunded Series 2003 Bonds, the Non-Refunded Series 2004A Bonds, the Non-Refunded Series 2005B Bonds, the 2003 Series C Bonds, the 2007 Refunding Bonds and the Bonds is shown under “DEBT SERVICE SCHEDULES” herein.

***Certificates of Participation/Capitalized Lease Obligations.*** In January 1998, the Contra Costa Schools Financing Authority issued certificates of participation in the amount of $5,785, 000 with variable interest rates. In February 2010, the remaining balance of the Certificates was refinanced as a capital lease in the amount of $2,098,000, maturing August 1, 2019.

In February 2010, the District refinanced a prior series of certificates of participation and entered into an adjustable rate capital lease with Zion’s National Bank I n the amount of $997,000. The lease matures on March 1, 2020.

## State Funding of Education and Revenue Limitations

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit per unit of average daily attendance (“**A.D.A.**”). Such apportionments will, generally speaking, 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 California school districts.

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

The following is a schedule of the District’s A.D.A. during the past five years, as well as estimate for fiscal years 2011-12 and 2012-13.

**Table A4**
**BRENTWOOD UNION SCHOOL DISTRICT**
**Average Daily Attendance**
**Fiscal Years 2006-07 through 2010-11 (actual)**
**and 2011-12 through 2012-13 (projected)**

| Fiscal Year | ADA |
|---|---|
| 2006-07 | 7,428.19 |
| 2007-08 | 7,806.56 |
| 2008-09 | 7,986.98 |
| 2009-10 | 7,970.52 |
| 2010-11 | 8,061.23 |
| 2011-12[(1)] | 8,134.06 |
| 2012-13[(1)] | 8,050.00 |

(1) Projected.
*Source: Brentwood Union School District.*

California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues may affect appropriations made by the Legislature to school districts.

## Revenue Sources

The District categorizes its general fund revenues into four sources:

**Table A5**
**BRENTWOOD UNION SCHOOL DISTRICT**
**District Revenue Sources**

| | Percentage of Total District General Fund Revenues | | |
|---|---|---|---|
| **Revenue Source** | **2008-09** | **2009-10** | **2010-11** |
| Revenue limit sources [(1)] | 71.9% | 69.9% | 71.6% |
| Federal revenues | 7.5 | 7.4 | 7.4 |
| Other State revenues | 13.0 | 14.8 | 12.9 |
| Other local revenues | 7.7 | 7.9 | 8.1 |

(1) Consists of a mix of State apportionments of basic and equalization aid and local property tax revenues.
*Source: Brentwood Union School District.*

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 average daily attendance for such district by (2) a base revenue limit per unit of A.D.A. The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

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

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

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

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

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Class Size Reduction Program, home-to-school transportation, Economic Impact Aid, School Improvement Program, Educational Technology Assistance Grants, mandated cost reimbursements, instructional materials and mentor teachers.

The District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Lottery revenues generally comprise approximately 2% of general fund revenues.

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

**Effect of State Budget on Revenues Effect of State Budget on Revenues**

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55 percent of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see "DISTRICT FINANCIAL INFORMATION - State Funding of Education and Revenue Limitations" below). State funds typically make up the majority of a district's revenue limit. School districts also receive substantial funding from the State for various categorical programs. Revenues received by the District from all State sources generally accounted for about half of total general fund revenues.

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

## State Funding of Education and Recent State Budgets

***General***. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55 percent of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see "– State Funding of Education and Revenue Limitations" above). State funds typically make up the majority of a district's revenue limit. School districts also receive substantial funding from the State for various categorical programs.

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

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

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

Under the State Constitution, money may be drawn from the 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 two-thirds majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. 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 in this Official Statement 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 (the "**LAO**") 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)".

***Tax Shifts and Triple Flip.*** Assembly Bill No. 1755 ("**AB 1755**"), introduced March 10, 2003 and substantially amended June 23, 2003, requires the shifting of property taxes between redevelopment agencies and schools. On July 29, 2003, the Assembly amended Senate Bill No. 1045 to incorporate all of the provisions of AB 1755, except that the Assembly reduced the amount of the required ERAF shift to $135 million. Legislation commonly referred to as the "Triple Flip," was approved by the voters on March 2, 2004, as part of a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of $15 billion in bonds to finance the 2002-03 and 2003-04 State budget deficits, which are payable from a fund established by the redirection of tax revenues through the "Triple Flip." Under the "Triple Flip", one-quarter of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdiction are redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation redirects property taxes in the ERAF to local government. Because the ERAF monies were previously earmarked for schools, the legislation provides for schools to receive other State General Fund revenues. The swap of sales taxes for property taxes will terminate once the deficit financing bonds are repaid, which is currently expected to occur by 2016.

***State IOUs and Deferrals of Education Funding.*** As a result of declines in State revenues commencing in fiscal years 2008-09, commencing July 2, 2009, 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. 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, 2009-2010 and 2010-11. 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.

***2011-12 State Budget***. On January 10, 2012, Governor Jerry Brown announced a budget proposal to bridge the State's estimated $28 billion budget deficit. The proposed budget delivered cuts across a wide spectrum of programs, calling for $84.6 billion in general fund spending in fiscal 2012, down from about $92.2 billion in 2010-11. At the same time, the Governor's budget plan proposed asking voters to approve a five-year extension of temporary income, sales and vehicle taxes before they expire at the end of June 2012 in a proposed special statewide election to be held in June, 2012. Governor Brown's proposed budget included cuts to welfare programs, health care programs for the poor and higher education. In addition, the proposal included the elimination of California redevelopment agencies and re-directing property tax revenues from redevelopment to cities, counties and schools. Cuts to K-12 education were not included, unless the tax extensions are not approved at a special June election.

Following the introduction of the 2011-12 Budget, the Legislature passed and the Governor signed budget bills which included $1.7 billion in reductions to services and coverage under Medi-Cal, $1 billion in reductions to CalWORKs (a low income financial and employment assistance program), $1.1 billion in cuts to higher education, $1 billion in cuts to First 5 (an early childhood program), $862 million in cuts to mental health programs, and $192 million in cuts to Supplemental Security Income and State Supplementary Payments for low-income disabled and elderly residents. The Governor was unable to obtain the votes of the California Legislature needed to call a special statewide election in June for voters to consider the tax extensions included in the Governor's proposed 2011-12 Budget. With respect to K-12 school districts, the legislation included increasing the revenue limit deficit factor for school districts to 19.608%, added certain flexibility options regarding deferred maintenance contributions, use of surplus proceeds from the sale of real property, general fund reserve requirements, categorical program funding expenditures, reduction of instructional minutes, Class Size Reduction Program penalties, and the implementation of new State instructional materials, established a zero percent cost of living adjustment for K-12 programmatic funding for fiscal year 2011-12. and authorized three new cross-fiscal year deferrals of State apportionments.

On May 16, 2012, the Governor introduced the May Revise to the 2011-12 Budget to the Legislature (the **"May Revise"**). The May Revise assumed $6.6 billion more in tax revenue through June 2012, reducing the possible deficit to $9.6 billion and providing education funding at a level at least equal to 2010-11 funding, continued to propose the extension of sales and vehicle taxes for five years, but shortened the income tax extension to four years, maintained the plan to eliminate redevelopment agencies, tightened rules for job-creation tax credits in enterprise zones, eliminated 43 boards and commissions and sold numerous "nonessential" properties.

LAO Report. The LAO's May 19, 2012 report on the Governor's May Revision concluded that the Governor's budget estimates in the May Revision were based on reasonable assumptions. However, the LAO noted, school districts, counties and the State face uncertainty as to funding levels in the fiscal year because the Governor's revenue assumptions relied on the extension of temporary increases in personal income tax, sales and use tax and vehicle license fees to be approved by the voters. The LAO deemed the Governor's proposals worthy of legislative consideration, noting that in past budgets the State was unable to make significant inroads into its underlying operating shortfall due to a reliance on one-time and short-term solutions; whereas, this year, an estimated $6.6 billion improvement in state tax collections, and $13 billion in budgetary solutions already adopted by the Legislature, put the State in the position to dramatically reduce its budget problem in coming years.

June 28, 2012 Legislative Action and 2011-12 Budget Adoption. Following the veto by the Governor of a 2011-12 Budget proposed by the Legislature on June 15, 2012, the Legislature passed a second $86 billion general fund State Budget which closes the State's remaining $9.6 billion budget deficit. The 2011-12 Budget was signed by Governor Brown on June 29, 2012.

The Department of Finance released its summary of the 2011-12 Budget (the **"Department of Finance Report"**), from which the following information is extracted.

The 2011-12 Budget seeks to close the $26.6 billion deficit identified in the Governor's May Revise through a combination of measures totaling $27.2 billion. Specifically, the 2011-12 Budget includes $15 billion of expenditure reductions, $900 million of targeted revenue increases, $2.9 billion of other measures and a positive adjustment to the State's revenue outlook totaling $8.3 billion.

The 2011-12 Budget reports that the State economy has continued to improve, with tax collections approximately $1.2 billion above the amounts projected by the May Revise. As a result, the 2011-12 Budget projects an additional $4 billion in revenues during fiscal year 2011-12. Although the 2011-12 Budget does not include any of the Governor's proposed tax extensions, the administration states that it plans to seek voter approval of a ballot measure, by November of 2012, which would protect public safety realignment and supplement the State's revenues. With the implementation of all measures, the 2011-12 Budget assumes, for fiscal year 2010-11, year-end revenues of $94.8 billion and expenditures of $91.5 billion. The 2011-12 Budget also assumes the State ended fiscal year 2010-11 with a budget deficit of $2 billion. For fiscal year 2011-12, the 2011-12 Budget projects total revenues of $88.5 billion and authorizes total expenditures of $85.9 billion, and a fiscal year 2011-12 end of year $543 million surplus.

The 2011-12 Budget includes a series of "trigger" reductions that are authorized to be implemented in the event the State's revenues are less than forecasted. The first series of reductions, totaling approximately $600 million, would be implemented by January of 2012 if State revenues fall short of projections by more than $1 billion. If, by January of 2012, revenues are projected to fall short by more than $2 billion, a second series of reductions totaling approximately $1.9 billion would be implemented, of which $1.8 billion relates to K-12 revenue limit funding and home-to-school transportation. As part of the second series of such trigger reductions, the 2011-12 Budget authorizes a reduction of $1.5 billion to school district revenue limit funding, and a corresponding reduction to the State-mandated length of school year by seven days. In the event this reduction is implemented, school districts would be permitted to collectively bargain for a shorter school year or accommodate the revenue limit reduction through other means. Total Proposition 98 funding is decreased in fiscal year 2011-12 to $48.7 billion, including $32.8 billion from the State general fund, which reflects a decrease from the prior year of $1.1 billion. This decrease is a net figure reflective of all budgetary actions taken with respect to the State's share of Proposition 98 funding, including increases in baseline revenues, redirection of certain sales tax revenues related to the realignment of public safety programs, and the rebenching of the Proposition 98 minimum funding guarantee (discussed below).

The 2011-12 Budget rebenches the Proposition 98 minimum funding guarantee to account for the following: (i) an increase of $221.8 million, as part of the realignment of public programs from the State to local governments, to fund the delivery of certain mental health services by school districts, (ii) an increase of $578.1 million to backfill general fund revenues lost from the suspension of sales and excise taxes on motor vehicle fuels, and (iii) a decrease of $1.1 billion to reflect the exclusion of most child care programs from Proposition 98. The minimum funding guarantee is also rebenched to account for a $1.7 billion decrease in State general fund revenues as a result of ABx1 27, a companion bill to the 2011-12 Budget. ABx1 27 authorizes redevelopment agencies to continue operations provided their establishing cities or counties agree to make a specified payment to school districts and county offices of education, which totals $1.7 billion statewide. Pursuant to ABx1 26 (another companion bill to the 2011-12 Budget), redevelopment agencies whose establishing cities or counties elect not to make such payments will be required to shut down, and any 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. However, ABx1 26 and ABx1 27 are subject to a pending lawsuit filed directly with the California Supreme Court on July 18, 2012, by the California Redevelopment Association and other plaintiffs, challenging both bills on constitutional and other grounds. The California Supreme Court accepted jurisdiction and on August 11, 2012, it issued a partial stay under which it allowed certain provisions of ABx1 26 to remain in effect (specifically, those provisions that preclude redevelopment agencies from incurring new indebtedness, transferring assets, acquiring real property, entering into or modifying contracts, etc.), but stayed enforcement of both bills in all other respects. As a result, the net effect of ABx1 26 and ABx1 27 on the 2011-12 Budget remains uncertain.

The 2011-12 Budget also makes a significant, one-time modification to State budgeting requirements for school districts. School districts will be required to project the same level of revenue per student in 2011-12 as in 2010-11, as well as maintain staffing and program levels commensurate with such level of funding. A related provision of the 2011-12 Budget provides that school districts will only be required to budget for the current year, and will not be required to demonstrate that they can meet their financial obligations for the subsequent two fiscal years (2012-13 and 2013-14).

The 2011-12 Budget also implements other significant measures with respect to K-12 education funding, as follows:

- *Apportionment Deferral.* An additional deferral of $1.2 billion in education spending in order to maintain programmatic funding at the fiscal year 2010-11 level.

· *Part-Day Preschool.* A decrease of $62.3 million to reflect a reduction of income eligibility levels to 70% of the State Median Income, and across-the-board reductions to provider contracts.

· *Charter Schools.* $11 million in supplemental categorical funding to charter schools that begin operations between 2008-09 and 2011-12.

· *Clean Technology and Renewable Energy Training.* $3.2 million of increased funding for clean technology and renewable energy job training, career technical education and the Dropout Prevention Program, each of which is designed to provide at-risk high school students with occupational training in areas such as conservation, renewable energy and pollution reduction.

· *Child Care and Development.* A decrease of $180.4 million to child care and development programs, including reductions to license-exempt provider rates, reductions of income eligibility levels to 70% of the State Median Income, and across-the-board reductions to provider contracts.

· *CALTIDES.* A decrease of $2.1 million to reflect elimination of funding for the California Longitudinal Teacher Integrated Data System (CALTIDES). Although the CALTIDES program was intended to provide a central State information depository regarding the teaching workforce, the 2011-12 Budget indicates the program is not a critical need.

· *Office of the Secretary of Education.* The 2011-12 Budget projects a budget savings of $1.6 million through the elimination of the Office of the Secretary of Education.

Additional information regarding the 2011-12 Budget is available from the Department of Finance's website: www.dof.ca.gov. However, such information is not incorporated herein by any reference.

November 16, 2012 LAO Report. The LAO report entitled "The 2012-13 Budget: California's Fiscal Outlook" estimates that State General Fund revenues and transfers in 2011-12 will be $3.7 billion below the level assumed in the June budget package. This revenue shortfall would translate into $2 billion of potential trigger cuts to various state programs—including all of the "Tier 1" trigger cuts and three-fourths of the "Tier 2" trigger cuts. The LAO forecasts that the State will end 2011-12 with a $3 billion deficit, including the effects of the trigger cuts. In 2012-13, the LAO forecasts that the State will face increased costs due to the expiration of a number of temporary budget measures, a significant increase in Proposition 98 school costs under current law, the required repayment of a $2 billion Proposition 1A property tax loan used to help balance the budget in 2009, and other factors. These factors contribute to a projected $10 billion operating shortfall in 2012-13. The $3 billion "carry-in" deficit from 2011-12 and the projected $10 billion operating deficit in 2012-13 mean that the Legislature and the Governor will need to address an approximately $13 billion budget problem between now and the time that the State adopts a 2012-13 budget plan.

January 1, 2012 Trigger Cuts. On December 13, 2012, Governor Brown announced that the State will cut nearly $1 billion from its 2011-12 Budget. A $2.2 billion shortfall in projected revenue triggered the mid-year cuts to be made in education, school busing, childcare, health programs, public safety and libraries. California State University and University of California systems, In-Home Supportive Services and the Department of Developmental Services each will see their budgets slashed by $100 million.

In November 2012, State voters will vote on a $6.9 billion tax increase, including a higher rate for income over $250,000 and a half-cent sales tax hike. If the ballot measure fails, Brown says, education will have to be cut by another $4.8 billion, likely eliminating three weeks of instruction from the school year. Even if his tax plan passes, Brown's budget will take another $2.2 billion from schools.

**2012-13 State Budget.** Set forth below is a summary of Governor Brown's proposed 2012-13 State Budget and the LAO report.

<u>Governor's Proposed Budget</u>. On January 5, 2012, Governor Brown submitted his 2012-13 Proposed Budget to the Legislature. The 2012-13 Proposed Budget acknowledged a $9.2 billion budget deficit, consisting of an $4.1 billion deficit that would remain at the end of Fiscal Year 2012-13 (absent budgetary action), and a $5.1 billion shortfall between current-law revenues and expenditures in 2012-13, with a proposed reserve of $1.1 billion. The 2012-13 Proposed Budget relies on a plan to submit to the voters at a regular election in November 2012 a $6.9 billion tax increase, including a higher rate for personal income over $250,000 and a half-cent sales tax hike. If the voters do not approve such revenue-raising measures, the 2012-13 Proposed Budget specifies $5.4 billion in additional trigger cuts affecting funding for each of: schools and community colleges ($4.8 billion cut, likely eliminating three weeks of instruction from the school year), the University of California and California State University ($200 million cut), State courts ($125 million cut, equivalent to court closures of three days per month), Parks and Recreation and Fish and Game (number of safety officers and lifeguards decreased), Forestry and Fire Prevention (substantial reduction in firefighting capability and emergency air response program, closure of fire stations), Department of Water (flood control programs cut) and Department of Justice (law enforcement programs reduced).

The 2012-13 Proposed Budget includes additional expense reducing measures as follows: Changes to CalWORKs and subsidized child care to, among other things, reduce assistance to families not meeting work requirements. ($1.4 billion reduction), merging service delivery for those who are eligible for both Medi-Cal and Medicare ($842 million reduction), eliminating In-Home Supportive Services in shared living arrangements. ($164 million reduction), eliminating supplemental funding for schools associated with the elimination of the sales tax on gasoline ($544 million reduction), reducing grants for students of private institutions ($302 million reduction), suspending state mandates on local governments ($828 million reduction) and expanding the alternative custody program for female prison inmates (millions of dollars reduced in future years). The 2012-13 also includes continuation of the use of weight fees to offset future State general fund costs connected with transportation expenses ($350 million savings) and a one-time shift of monies from the State's Unemployment Compensation Disability Fund to pay the federal government for interest costs on the State's outstanding Unemployment Insurance loan.

Additionally, concurrently with the 2012-13 Proposed Budget, the Governor has proposed a constitutional amendment, to be submitted to the voters at the November 2012 general election, to secure funding for local governments so they can provide public services recently shifted to them under the State's "realignment" plan. Voter approval of such an amendment might give the State less budget flexibility, but could also strengthen local support for current and additional realignment.

January 11, 2012 LAO Report. An LAO report dated January 11, 2012 stated that the 2012-13 Proposed Budget were reasonable, and either of (i) the proposed multiyear tax increases and significant reductions in social services and subsidized child care programs or (ii) larger cuts, aimed largely at schools, move the State budget much closer to balance over the next several years. However, the LAO noted that its revenue estimates—including estimates of state revenue gains from the Governor's proposed tax raising initiatives—are lower than the Governor's and that if LAO estimates are correct, the Legislature will have to pursue billions of dollars more in budget-balancing solutions. The LAO was supportive of major restructuring of the school finance system, community college categorical funding, and education mandates, but suggested that alternatives to reforms in the CalWORKs program should be considered. The LAO further encouraged caution in setting the size of the trigger cuts, determining the specific education reductions to impose, and designing tools to help schools, community colleges, and universities respond to the trigger cuts.

*Information about the State budget is regularly available at various State-maintained websites. The fiscal year 2010-11 State Budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget". Additionally, an impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.*

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, THE UNDERWRITER 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 HEREIN OR INCORPORATED BY REFERENCE HEREIN.

# CITY OF BRENTWOOD AND CONTRA COSTA COUNTY DEMOGRAPHIC INFORMATION

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

## General Description

The City of Brentwood is located in eastern Contra Costa County (the "County). The City is known for its agricultural products, but since 1990, many of the farms and orchards have been replaced by suburban developments.

## Population

The State Department of Finance estimates the 2011 population of the City to be 52,029. The following table summarizes the City's population in 1990 and from 2007 through 2011.

**CITY OF BRENTWOOD**
**Population Estimates**

| Calendar Year | City of Brentwood | County of Contra Costa | State of California |
|---|---|---|---|
| 1990 | 7,563 | 803,732 | 29,758,213 |
| 2007 | 47,846 | 1,015,672 | 36,399,676 |
| 2008 | 49,710 | 1,027,264 | 36,704,375 |
| 2009 | 50,997 | 1,038,390 | 36,966,713 |
| 2010 | 51,394 | 1,047,948 | 37,223,900 |
| 2011 | 52,029 | 1,056,064 | 37,510,766 |

*Source: California Department of Finance for January 1.*

## Employment and Industry

The unemployment rate in the Oakland-Fremont-Hayward MD was 9.5% in November 2011, down from a revised 10.0% in October 2011, and below the year-ago estimate of 11.2%. This compares with an unadjusted unemployment rate of 10.9% for California and 8.2% for the nation during the same period. The unemployment rate was 9.6% in Alameda County, and 9.5% in Contra Costa County.

The following table summarizes the annual average civilian labor force, employment and unemployment in the County for the calendar years 2006 through 2010.

**OAKLAND-FREMONT-HAYWARD METROPOLITAN DISTRICT**
**(CONTRA COSTA AND ALAMEDA COUNTIES)**
**Civilian Labor Force, Employment and Unemployment**
**(Annual Averages)**

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Civilian Labor Force (1) | 1,247,300 | 1,262,000 | 1,281,300 | 1,285,800 | 1,277,900 |
| Employment | 1,192,800 | 1,202,900 | 1,202,600 | 1,152,300 | 1,133,700 |
| Unemployment | 54,500 | 59,000 | 78,700 | 133,500 | 144,200 |
| Unemployment Rate | 4.4% | 4.7% | 6.1% | 10.4% | 11.3% |
| Wage and Salary Employment: (2) | | | | | |
| Agriculture | 1,500 | 1,500 | 1,400 | 1,400 | 1,500 |
| Natural Resources and Mining | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 |
| Construction | 73,300 | 71,700 | 64,900 | 53,500 | 47,600 |
| Manufacturing | 95,800 | 94,400 | 93,100 | 82,800 | 78,600 |
| Wholesale Trade | 48,800 | 48,700 | 47,600 | 43,700 | 42,100 |
| Retail Trade | 113,300 | 113,300 | 109,400 | 102,100 | 99,900 |
| Transportation, Warehousing, Utilities | 35,000 | 37,300 | 35,900 | 33,200 | 31,900 |
| Information | 30,100 | 29,000 | 27,800 | 25,300 | 23,900 |
| Finance and Insurance | 45,400 | 41,100 | 36,200 | 32,500 | 33,100 |
| Real Estate and Rental and Leasing | 18,200 | 17,000 | 16,500 | 15,500 | 15,300 |
| Professional and Business Services | 155,100 | 158,200 | 162,400 | 148,700 | 148,000 |
| Educational and Health Services | 124,800 | 128,300 | 133,000 | 137,200 | 139,700 |
| Leisure and Hospitality | 85,600 | 88,000 | 89,100 | 85,100 | 85,600 |
| Other Services | 35,900 | 36,200 | 36,100 | 34,700 | 34,600 |
| Federal Government | 17,300 | 17,100 | 17,100 | 16,700 | 15,700 |
| State Government | 45,800 | 44,500 | 39,100 | 39,000 | 38,000 |
| Local Government | 118,900 | 122,300 | 121,100 | 116,900 | 113,300 |
| Total, All Industries (3) | 1,046,100 | 1,049,700 | 1,031,800 | 969,400 | 949,800 |

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

## Effective Buying Income

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

The following table summarizes the total effective buying income for the County, the State and the United States for the period 2006 through 2010.

**Effective Buying Income**
**As of January 1, 2006 through 2010**

| Year | Area | Total Effective Buying Income (000's Omitted) | Median Household Effective Buying Income |
|---|---|---|---|
| 2006 | Contra Costa County | $28,611,520 | $58,497 |
| | California | 764,120,963 | 46,275 |
| | United States | 6,107,092,244 | 41,255 |
| 2007 | Contra Costa County | $30,138,295 | $61,123 |
| | California | 814,894,438 | 48,203 |
| | United States | 6,300,794,040 | 41,792 |
| 2008 | Contra Costa County | $30,737,690 | $61,903 |
| | California | 832,531,445 | 48,952 |
| | United States | 6,443,994,426 | 42,303 |
| 2009 | Contra Costa County | $31,197,703 | $64,213 |
| | California | 844,823,319 | 49,736 |
| | United States | 6,571,536,768 | 43,252 |
| 2010 | Contra Costa County | $30,049,698 | $61,031 |
| | California | 801,393,028 | 47,177 |
| | United States | 6,365,020,076 | 41,368 |

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

## Major Employers

The following table lists the major employers within the County:

**COUNTY OF CONTRA COSTA**
**Major Employers**
**(As of January 2012)**

| Employer Name | Location | Industry |
|---|---|---|
| Bayer Health Care Phrmctcls | Richmond | Laboratories-Pharmaceutical (Mfrs) |
| Bio-Rad Laboratories Inc | Hercules | Biological Products (Mfrs) |
| C & H Sugar Co Inc | Crockett | Sugar Refiners (Mfrs) |
| California State Auto Assn | Walnut Creek | Automobile Clubs |
| Chevron Corp | San Ramon | Petroleum Products-Manufacturers |
| Chevron Global Downstream LLC | San Ramon | Marketing Programs & Services |
| Concord Naval Weapons Station | Concord | Federal Government-National Security |
| Contra-Costa Regional Med Ctr | Martinez | Hospitals |
| Department of Veterans Affairs | Martinez | Clinics |
| Doctor's Medical Ctr | San Pablo | Hospitals |
| John Muir Health Physical Rhb | Concord | Physical Therapists |
| John Muir Medical Ctr | Concord | Hospitals |
| Kaiser Permanente | Walnut Creek | Hospitals |
| Kaiser Permanente Martinez | Martinez | Clinics |
| Muirlab | Walnut Creek | Laboratories-Medical |
| Nordstrom | Walnut Creek | Department Stores |
| PMI Group Inc | Walnut Creek | Insurance-Bonds |
| Richmond City Offices | Richmond | Government Offices-City, Village & Twp |
| San Ramon Regional Medical Ctr | San Ramon | Hospitals |
| Shell Oil Prod | Martinez | Oil Refiners (Mfrs) |
| St Mary's College of Ca | Moraga | Schools-Universities & Colleges Academic |
| Sutter Delta Medical Ctr | Antioch | Hospitals |
| Tesoro Golden Eagle Refinery | Pacheco | Oil Refiners (Mfrs) |
| USS-POSCO Industries | Pittsburg | Steel Mills (Mfrs) |
| VA Outpatient Clinic | Martinez | Surgical Centers |

*Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database.*

### Commercial Activity

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, retail stores data for 2009 and 2010 is not comparable to that of prior years.

Total taxable sales during calendar year 2010 in the City were reported to be $471,047,000 a 6.1% increase over the total taxable sales of $444,070,000 reported during calendar year 2009. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City is presented in the following table.

**CITY OF BRENTWOOD**
**Taxable Transactions**
**(Dollars in Thousands)**

| Year | Retail Permits on July 1 | Retail Stores Taxable Transactions | Total Permits on July 1 | Total Outlets Taxable Transactions |
|---|---|---|---|---|
| 2005 | 426 | $348,694 | 828 | $388,536 |
| 2006 | 456 | 362,644 | 893 | 409,480 |
| 2007 | 473 | 380,461 | 927 | 424,934 |
| 2008 | 516 | 383,626 | 975 | 434,761 |
| 2009 (1) | 631 | 388,890 | 906 | 444,070 |
| 2010 (1) | 671 | 412,174 | 969 | 471,047 |

(1) Not comparable to prior years. “Retail” category now includes “Food Services.”
*Source: State Board of Equalization.*

Total taxable sales during calendar year 2010 in the County were reported to be $11,953,846,000, a 0.6% increase over the total taxable sales of $11,883,049,000 reported during calendar year 2009. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County is presented in the following table.

**CONTRA COSTA COUNTY**
**Taxable Retail Sales**
**Number of Permits and Valuation of Taxable Transactions**
**(Dollars in Thousands)**

| Year | Retail Permits on July 1 | Retail Stores Taxable Transactions | Total Permits on July 1 | Total Outlets Taxable Transactions |
|---|---|---|---|---|
| 2005 | 11,776 | $10,072,084 | 23,692 | $13,480,075 |
| 2006 | 11,467 | 10,275,907 | 23,249 | 13,867,661 |
| 2007 | 11,131 | 10,109,704 | 23,181 | 14,086,295 |
| 2008 | 11,577 | 9,484,307 | 23,149 | 13,307,681 |
| 2009 (1) | 14,045 | 8,473,578 | 21,395 | 11,883,049 |
| 2010 (1) | 14,423 | 8,716,393 | 21,784 | 11,953,846 |

(1) Not comparable to prior years. “Retail” category now includes “Food Services.”
*Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).*

**Construction Activity**

Provided below are the building permits and valuations for the City of Brentwood and Contra Costa County for calendar years 2006 through 2010.

**CITY OF BRENTWOOD**
**Total Building Permit Valuations**
**(Valuations in Thousands of Dollars)**

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Permit Valuation | | | | | |
| New Single-family | 112,141.5 | 77,461.3 | 7,512.4 | 18,696.4 | 33,748.2 |
| New Multi-family | 7,468.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Res. Alterations/Additions | 1,822.2 | 2,039.1 | 1,087.2 | 1,091.6 | 1,227.0 |
| Total Residential | 121,432.1 | 79,500.4 | 8,599.6 | 19,788.0 | 34,975.2 |
| | | | | | |
| New Commercial | 13,691.3 | 26,986.3 | 10,373.4 | 3,771.6 | 0.0 |
| New Industrial | 1,458.2 | 614.9 | 0.0 | 0.0 | 0.0 |
| New Other | 21,035.0 | 3,448.5 | 2,597.2 | 1,168.4 | 1,359.8 |
| Com. Alterations/Additions | 5,787.6 | 3,783.4 | 7,268.0 | 2,426.1 | 1,909.5 |
| Total Nonresidential | 41,972.1 | 40,833.0 | 20,238.6 | 7,366.1 | 3,269.3 |
| | | | | | |
| New Dwelling Units | | | | | |
| Single Family | 475 | 357 | 37 | 87 | 167 |
| Multiple Family | 100 | 0 | 0 | 0 | 0 |
| TOTAL | 575 | 357 | 37 | 87 | 167 |

*Source: Construction Industry Research Board, Building Permit Summary.*

**CONTRA COSTA COUNTY**
**Total Building Permit Valuations**
**(Valuation in Thousands of Dollars)**

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Permit Valuation | | | | | |
| New Single-family | $986,694.1 | $832,053.1 | $300,088.7 | $300,363.3 | $237,458.0 |
| New Multi-family | 157,971.5 | 94,504.9 | 132,824.8 | 34,119.3 | 106,555.4 |
| Res. Alterations/Additions | 307,152.6 | 290,107.5 | 229,023.3 | 170,149.7 | 209,044.4 |
| Total Residential | 1,451,818.2 | 1,216,665.5 | 661,936.8 | 504,632.3 | 553,057.8 |
| | | | | | |
| New Commercial | 101,785.9 | 148,838.2 | 108,228.4 | 49,992.0 | 38,093.5 |
| New Industrial | 14,529.4 | 17,504.1 | 60,376.2 | 11,530.0 | 29,619.4 |
| New Other | 122,628.4 | 95,442.0 | 66,511.1 | 39,878.8 | 47,510.7 |
| Com. Alterations/Additions | 173,556.4 | 229,530.2 | 224,816.8 | 212,900.7 | 170,193.8 |
| Total Nonresidential | $412,500.1 | $491,314.5 | $459,932.5 | $314,301.4 | $285,417.4 |
| | | | | | |
| 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 |

*Source: Construction Industry Research Board, Building Permit Summary.*

# APPENDIX B

## EXCERPTS FROM FISCAL YEAR 2010-11 AUDITED FINANCIAL STATEMENTS

# BRENTWOOD UNION SCHOOL DISTRICT

## COUNTY OF CONTRA COSTA
## BRENTWOOD, CALIFORNIA

## FINANCIAL STATEMENTS
## WITH
## INDEPENDENT AUDITOR'S REPORT

## FOR THE YEAR ENDED JUNE 30, 2011

BRENTWOOD UNION SCHOOL DISTRICT

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TABLE OF CONTENTS

James Marta & Company
Certified Public Accountants

*Accounting Auditing Tax and Consulting*

## INDEPENDENT AUDITOR'S REPORT

Board of Education
Brentwood Union School District
Brentwood, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brentwood Union School District (the "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 District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 Brentwood Union School District as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2011 on our consideration of the Brentwood Union School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Statement of Revenues, Expenditures and Change in Fund Balances – Budget and Actual – General Fund are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, 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.

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e-mail: jmarta@jpmcpa.com www.jpmcpa.com

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

James Marta & Company

James Marta & Company
Certified Public Accountants
December 14, 2011

# MANAGEMENT’S DISCUSSION AND ANALYSIS

## INTRODUCTION

This section of the audited financial statement represents a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011. It is to be read in conjunction with the District's audited financial statements.

## USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining fiduciary fund statement provides information about associated student body activities for which the District acts solely as a trustee or agent.

## FINANCIAL HIGHLIGHTS

- The District's net assets were $147,113,791 on June 30, 2011 which is an increase from the prior year of 0.31%.

- Capital assets, net of depreciation increased by $7,231,887 due primarily to construction on Mary Casey Black Elementary School.

- Long-term liabilities decreased $369,173 due to current year payments on the outstanding general obligation bonds and refinancing the remaining certificate of participation into a capital lease.

- On the Statement of Revenues, Expenditures and Changes in Fund Balances, total current year expenditures exceeded current year revenues by $9,007,756 due primarily to net capital project expenditures.

- General Fund accounts receivable were $12,645,754 on June 30, 2011 due mostly to the continuing and significant deferral of revenue limit payments by the state.

- Cash and cash equivalents in all governmental funds was $10,245,928 on June 30, 2011, a decrease of $10,321,688 from the prior year due primarily to construction on Mary Casey Black Elementary School.

- The District's Net Other Postemployment Benefits obligation increased to $997,659 as of June 30, 2011.

- Average daily attendance (ADA) for the P2 period was 8,061, an increase of 90 ADA from the prior year.

- The District maintains sufficient reserves for a district its size. It meets the BUSD Board required minimum reserve of 4.25% of total General Fund expenditures, transfers out, and other uses (total outgo). BUSD Board required reserve exceeds the state minimum requirement. During the fiscal year 2010-11, General Fund expenditures and other financing uses totaled $54,927,561. At June 30, 2011, the District had available reserves (includes local designations) of $11,474,258 in the General Fund which represents a reserve of 20.9%.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS WHOLE

**Comparative Statement of Net Assets**

| | Governmental Activities | |
|---|---|---|
| Assets | 2010 | 2011 |
| Deposits and Investments | $ 32,195,885 | $ 21,710,641 |
| Current Receivables | 10,276,805 | 12,831,513 |
| Stores Inventory | 51,403 | 644,748 |
| Prepaid Expenses | 696,421 | 36,920 |
| Capital Assets, net | 168,927,460 | 176,159,347 |
| Total Assets | 212,147,974 | 211,383,169 |
| Liabilities | | |
| Current | 6,412,988 | 5,557,740 |
| Long-Term | 59,080,811 | 58,711,638 |
| Total Liabilities | 65,493,799 | 64,269,378 |
| Net Assets | | |
| Invested in Capital Assets | | |
| - Net of Related Debt | 108,675,933 | 118,445,368 |
| Restricted | 27,295,920 | 14,869,520 |
| Unrestricted | 10,682,322 | 13,798,903 |
| Total Net Assets | $ 146,654,175 | $ 147,113,791 |

**Comparative Statement of Change in Net Assets**

| | Governmental Activities 2010 | Governmental Activities 2011 |
|---|---|---|
| Program Revenues | | |
| Charges for Services | $ 2,050,814 | $ 1,772,709 |
| Operating Grants and Contributions | 9,715,283 | 9,668,784 |
| Capital Grants and Contributions | 3,861,086 | (8,071) |
| General Revenues | | |
| Taxes Levied | 16,104,433 | 16,343,292 |
| Federal and State Aid | 34,606,763 | 37,010,087 |
| Interest and Investment Earnings | 92,103 | 106,279 |
| Transfers form Other Agencies | 145,833 | 93,089 |
| Miscellaneous | 354,118 | 309,460 |
| Total Revenues | 66,930,433 | 65,295,629 |
| Expenses | | |
| Instruction | 44,976,851 | 43,717,236 |
| Instruction Related Services | 6,027,541 | 5,661,686 |
| Pupil Services | 4,229,267 | 4,371,854 |
| General Administration | 2,872,208 | 2,717,340 |
| Plant Services | 6,327,692 | 5,604,276 |
| Ancillary Serives | 87,419 | 84,031 |
| Interest on Long-Term Debt | 2,698,065 | 2,548,667 |
| Other Outgo | 124,369 | 130,923 |
| Total Expenses | 67,343,412 | 64,836,013 |
| Changes in Net Assets | $ (412,979) | $ 459,616 |

**Summary of Revenues for Governmental Functions**

| | FYE 2010 Amount | Percent of Total | FYE 2011 Amount | Percent of Total |
|---|---|---|---|---|
| Program Revenues | | | | |
| Charges for Services | $ 2,050,814 | 3.06% | $ 1,772,709 | 2.71% |
| Operating Grants & Contributions | 9,715,283 | 14.52% | 9,668,784 | 14.81% |
| Capital Grants & Contributions | 3,861,086 | 5.77% | (8,071) | -0.01% |
| General Revenues | | | | |
| Taxes Levied | 16,104,433 | 24.06% | 16,343,292 | 25.03% |
| Federal & State Aid | 34,606,763 | 51.71% | 37,116,366 | 56.84% |
| Other Revenues | 592,054 | 0.88% | 402,549 | 0.62% |
| Total Revenues | $ 66,930,433 | 100.00% | $ 65,295,629 | 100.00% |

**Schedule of Expenses for Governmental Functions**

| | FYE 2010 Amount | Percent of Total | FYE 2011 Amount | Percent of Total |
|---|---|---|---|---|
| Expenses | | | | |
| Instruction | $ 44,976,851 | 66.79% | $ 43,717,236 | 67.43% |
| Instruction Related Services | 6,027,541 | 8.95% | 5,661,686 | 8.73% |
| Pupil Services | 4,229,267 | 6.28% | 4,371,854 | 6.74% |
| General Administration | 2,872,208 | 4.27% | 2,717,340 | 4.19% |
| Plant Services | 6,327,692 | 9.40% | 5,604,276 | 8.64% |
| Other Expenses | 2,909,853 | 4.32% | 2,763,621 | 4.26% |
| Total Expenses | $ 67,343,412 | 100.00% | $ 64,836,013 | 100.00% |

**Comparative Schedule of Fund Balances**

| | Fund Balances June 30, 2010 | Fund Balances June 30, 2011 | Increase (Decrease) |
|---|---|---|---|
| General | $ 11,879,215 | $ 14,538,115 | $ 2,658,900 |
| Building | 3,745,105 | 3,658,528 | -86,577 |
| County School Facilities | 15,856,778 | 3,422,681 | -12,434,097 |
| Deferred Maintenance | 0 | 0 | 0 |
| Cafeteria | 691,819 | 733,210 | 41,391 |
| Special Reserve (Other than Capital) | 659,712 | 663,834 | 4,122 |
| Special Reserve (OPEB) | 69,110 | 69,394 | 284 |
| Special Reserve (Capital) | 1,344,256 | 1,352,664 | 8,408 |
| Bond Interest and Redemption | 3,430,009 | 3,518,606 | 88,597 |
| Capital Facilities | 2,039,993 | 2,751,209 | 711,216 |
| Totals | $ 39,715,997 | $ 30,708,241 | $ -9,007,756 |

## THE FINANCIAL REPORT

This annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and Management's Discussion and Analysis. 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, district-wide and funds.

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

- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.

  - Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.

  - Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements.

  - Financial relationships, for which the Districts acts as agent or trustee for the benefit of others to whom the resourced belong, are presented in the fiduciary funds statements

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

**Reporting the District as a Whole**

The District as a whole is reported in the District-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Assets. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health or position (net assets) can be measured by the difference between the District's assets and liabilities.

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

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

In the Statement of Net Assets and the Statement of Activities, District activities are divided into two categories:

Governmental Activities

The basic services provided by the District, such as regular and special education services and administration are included here and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition are also included here, but these services are financed by a combination of state and federal contracts and grants, and local revenues.

Business-type Activities

The District does not provide any services that should be included in this category.

**Reporting the District's Most Significant Funds**

The District's fund-based financial statements provide more detailed information about the District's most significant funds. Some funds are required to be established by state law and bond covenants. However, the District establishes may other funds as needed to control and manage money for specific purposes.

Governmental Funds:

The major governmental funds of the Brentwood Union School District are the General Fund, County School Facilities Fund, Building Fund, and Bond Interest and Redemption Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Proprietary Funds:

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as business-type activities; therefore no reconciling entries are required. Internal Service funds are reported with the Governmental Funds. The District currently has no funds of this type.

Fiduciary Funds:

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

## GENERAL FUND BUDGETARY INFORMATION

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. The original budget, approved at the end of June for July 1, is based on the Governor's May Revise and is updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim reporting periods and at other points throughout the year as updated financial information becomes available.

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Student enrollment and attendance are primary factors in the computation of most funding formulas for pubic schools in California. Enrollment has steadily increased since 1994-95 but this trend has been slowing in recent years. The original 2011-12 budget projected a decrease in enrollment due to the loss of a large eighth grade cohort, assumed flat kindergarten enrollment and no district growth at other grade levels. As a result of this projected decline, the District expected to be funded in 2011-12 on 2010-11 P2 ADA. District enrollment as of October 2011 decreased by 36 students compared to the prior year.

Beginning in the fiscal year 2008-09, the District began to account for other post employment benefits under GASB Statement No. 45 which requires the District to recognize the cost of these benefits on the government-wide financial statements. Based on the most recent actuarial report, the accrued liability as of July 1, 2009 is estimated at $2,571,090. The annual expense which includes the present value of the benefits accruing in the current year and a 30 year amortization of the unfunded liability is $402,236. While GASB Statement No. 45 does not require districts to fund the liability, the District has adopted a management plan that is designed to begin offsetting this growing liability over time. The ongoing and severe State fiscal crisis and related deep cuts to K-12 education have caused the District to suspend its funding plan for this obligation in 2008-09, 2009-10 and 2010-2011(except for current retirees) resulting in a net other post employment benefits obligation of $997,659 as of June 30, 2011.

The financial well being of the District is tied in large measure to the State funding formula and the State's ability to fund K-12 education. As a result of the ongoing State fiscal crisis and corresponding cuts to education, the District has implemented ongoing budget reductions of $2.6 million, $1.9 million, $1.9 million and $0.5 million, for 2008-09, 2009-10, 2010-11 and 2011-12 respectively. Due to proposed flat funding for 2011-12, for the first time in several years, these budget reductions have allowed the District to adopt its initial 2011-12 budget in June, 2011, without a deficit.

Although the Governor has proposed "flat funding" for K-12 education in 2011-12 and has said publicly (along with several legislative leaders) that he has no interest in suspending Proposition 98 in 2011-12 in order to cut education funding, we believe there is still significant risk to his "flat funding" proposal. AB 114 was part of the budget package and it's referred to as "Triggers". The purpose of AB 114 is to automatically implement revenue reductions if the State does not actually receive budgeted revenues. Legislative Analyst and Department of Finance will review state revenues in November and December of 2011 and determine if there is a short fall causing future "Trigger cuts." We should have more information regardomg the "Triggers" in January 2011. Because K-12 education comprises approximately 40% of the State's general fund budget, it is possible that additional and very severe funding reductions will likely appear in the months and years ahead. These conditions combined with the depletion of one-time federal revenues and potential projected deficit spending in current and future years will require management to continue its proactive approach in identifying and implementing the necessary adjustments to the District's budget in order to maintain fiscal solvency during this extremely difficult period for California and public education.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Brentwood Union School District, 255 Guthrie Lane, Brentwood, California 94513.

# FINANCIAL SECTION

**BRENTWOOD UNION SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 21,710,641 |
| Receivables | 12,831,513 |
| Prepaid expenses | 644,748 |
| Inventory | 36,920 |
| Capital assets, net of accumulated depreciation | 176,159,347 |
| Total Assets | 211,383,169 |
| **LIABILITIES** | |
| Accounts payable and other current liabilities | 3,415,382 |
| Deferred revenue | 1,409,536 |
| Unamortized Bond Premium | 732,822 |
| Long-term liabilities: | |
| Due within one year | 2,684,817 |
| Due in more than one year | 56,026,821 |
| Total Liabilities | 64,269,378 |
| **NET ASSETS** | |
| Invested in capital assets, net of related debt | 118,445,368 |
| Restricted | 14,869,520 |
| Unrestricted | 13,798,903 |
| Total Net Assets | $ 147,113,791 |

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

## BRENTWOOD UNION SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | | Program Revenues | | | Net (Expense) Revenues and Changes in Net Assets |
|---|---|---|---|---|---|
| | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** | **Governmental Activities** |
| Governmental Activities | | | | | |
| Instruction | $ 43,717,236 | $ 451,694 | $ 6,585,919 | $ (8,071) | $ (36,687,694) |
| Instruction - related services: | | | | | |
| Instructional supervision and administration | 893,380 | 2,672 | 297,684 | | (593,024) |
| Instructional library, media and technology | 819,963 | 7,285 | 9,977 | | (802,701) |
| School site administration | 3,948,343 | 2,551 | 69,477 | | (3,876,315) |
| Pupil Services: | | | | | |
| Home-to-school transportation | 1,000,443 | 37,707 | 154,646 | | (808,090) |
| Food services | 1,908,599 | 701,287 | 1,164,099 | | (43,213) |
| All other pupil services | 1,462,812 | 6,126 | 472,234 | | (984,452) |
| General administration: | | | | | |
| Centralized data processing | 490,751 | | | | (490,751) |
| All other general administration | 2,226,589 | 27,102 | 269,277 | | (1,930,210) |
| Plant services | 5,604,276 | 149,311 | 204,066 | | (5,250,899) |
| Ancillary services | 84,031 | 6,739 | 6,831 | | (70,461) |
| Interest on long-term debt | 2,548,667 | | | | (2,548,667) |
| Other outgo | 130,923 | 380,235 | 434,574 | | 683,886 |
| Total governmental activities | $ 64,836,013 | $ 1,772,709 | $ 9,668,784 | $ (8,071) | (53,402,591) |

| | |
|---|---|
| General Revenues | |
| Taxes and subventions: | |
| Taxes levied for general purposes | $ 11,425,379 |
| Taxes levied for debt service | 4,730,096 |
| Taxes levied for other specific purposes | 187,817 |
| Federal and state aid not restricted to specific purposes | 37,010,087 |
| Interest and investment earnings | 106,279 |
| Interagency revenues | 93,089 |
| Miscellaneous | 309,460 |
| Total general revenues | 53,862,207 |
| Change in net assets | 459,616 |
| Net Assets, July 1, 2010 | 146,654,175 |
| Net Assets, June 30, 2011 | $ 147,113,791 |

# BRENTWOOD UNION SCHOOL DISTRICT

# BALANCE SHEET

# GOVERNMENTAL FUNDS

# JUNE 30, 2011

| | General Fund | County School Facilities Fund | Building Fund | Bond Interest and Redemption Fund | All Non-Major Funds | Totals |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and cash equivalents | $ 4,454,969 | $ 859,129 | $ 3,758 | $ 3,518,606 | $ 1,409,466 | $ 10,245,928 |
| Accounts receivable | 12,645,754 | 4,356 | 4,412 | - | 176,991 | 12,831,513 |
| Investments | 264 | 3,670,270 | 3,717,930 | - | 4,076,249 | 11,464,713 |
| Store Inventory | 6,744 | - | - | - | 30,176 | 36,920 |
| Total assets | $ 17,107,731 | $ 4,533,755 | $ 3,726,100 | $ 3,518,606 | $ 5,692,882 | $ 34,579,074 |
| **LIABILITIES AND FUND BALANCES** | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | $ 1,160,080 | $ 1,111,074 | $ 67,572 | $ - | $ 122,571 | $ 2,461,297 |
| Deferred revenue | 1,409,536 | - | - | - | - | 1,409,536 |
| Total Liabilities | 2,569,616 | 1,111,074 | 67,572 | - | 122,571 | 3,870,833 |
| Fund balances | | | | | | |
| Nonspendable | 11,744 | - | - | - | 30,176 | 41,920 |
| Restricted | 1,518,496 | 3,422,681 | 3,658,528 | 3,518,606 | 2,751,209 | 14,869,520 |
| Committed | - | - | - | - | 772,428 | 772,428 |
| Assigned | 2,802,550 | - | - | - | 2,016,498 | 4,819,048 |
| Unassigned | 10,205,325 | - | - | - | | 10,205,325 |
| | 14,538,115 | 3,422,681 | 3,658,528 | 3,518,606 | 5,570,311 | 30,708,241 |
| Total liabilities and fund balances | $ 17,107,731 | $ 4,533,755 | $ 3,726,100 | $ 3,518,606 | $ 5,692,882 | $ 34,579,074 |

## BRENTWOOD UNION SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

## JUNE 30, 2011

| | | |
|---|---|---|
| Total fund balances - governmental funds | | $ 30,708,241 |
| 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 at historical cost: | $ 216,983,714 | |
| Accumulated depreciation: | (40,824,367) | |
| Net: | | 176,159,347 |
| Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. | | 644,748 |
| 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. | | (954,085) |
| Unamortized bond premiums: In governmental funds, debt issue premiums are recognized as other financing sources in the period they are received. In the govenerment-wide statements, bond premiums are amortized over the life of the debt. | | (732,822) |
| 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: | | |
| Current Interest | $ (52,605,000) | |
| Capital Appreciation | (2,198,717) | |
| Other post-employment benefits | (997,659) | |
| Certificates of participation payable | - | |
| Capital leases payable | (2,910,262) | |
| | | (58,711,638) |
| Total net assets, governmental activities: | | $ 147,113,791 |

# BRENTWOOD UNION SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

## GOVERNMENTAL FUNDS

## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | General Fund | County School Facilities Fund | Building Fund | Bond Interest and Redemption Fund | All Non-Major Funds | Totals |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| Revenue limit sources: | | | | | | |
| State apportionment | $ 29,778,191 | $ - | $ - | $ - | $ - | $ 29,778,191 |
| Local sources | 11,425,380 | - | - | - | - | 11,425,380 |
| Total revenue limit | 41,203,571 | - | - | - | - | 41,203,571 |
| Federal revenue | 4,228,603 | - | - | - | 1,212,425 | 5,441,028 |
| Other state revenues | 7,414,628 | (61,097) | - | 55,437 | 103,235 | 7,512,203 |
| Other local revenues | 4,680,394 | 53,026 | 23,785 | 4,681,346 | 1,650,259 | 11,088,810 |
| Total revenues | 57,527,196 | (8,071) | 23,785 | 4,736,783 | 2,965,919 | 65,245,612 |
| **EXPENDITURES** | | | | | | |
| Certificated salaries | 31,694,560 | - | - | - | - | 31,694,560 |
| Classified salaries | 7,101,235 | - | - | - | 844,600 | 7,945,835 |
| Employee benefits | 8,685,811 | - | - | - | 246,014 | 8,931,825 |
| Books and supplies | 1,450,809 | - | - | - | 869,953 | 2,320,762 |
| Services and other operating expenditures | 5,332,962 | - | 13,198 | - | 179,727 | 5,525,887 |
| Capital outlay | 551,430 | 11,875,140 | 109,808 | - | 94,680 | 12,631,058 |
| Other outgo | 110,754 | - | - | - | - | 110,754 |
| Debt service expenditures | - | - | - | 4,648,186 | 2,542,501 | 7,190,687 |
| Total expenditures | 54,927,561 | 11,875,140 | 123,006 | 4,648,186 | 4,777,475 | 76,351,368 |
| Excess(deficiency) of revenues over expenditures | 2,599,635 | (11,883,211) | (99,221) | 88,597 | (1,811,556) | (11,105,756) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | |
| Operating transfers in | 59,265 | 61,097 | 12,644 | - | 599,339 | 732,345 |
| Operating transfers out | - | (611,983) | - | - | (120,362) | (732,345) |
| Proceeds from Capital Leases | - | - | - | - | 2,098,000 | 2,098,000 |
| Total other financing sources (uses) | 59,265 | (550,886) | 12,644 | - | 2,576,977 | 2,098,000 |
| Net change in fund balances | 2,658,900 | (12,434,097) | (86,577) | 88,597 | 765,421 | (9,007,756) |
| Fund balances, July 1, 2010 | 11,879,215 | 15,856,778 | 3,745,105 | 3,430,009 | 4,804,890 | 39,715,997 |
| Fund balances, June 30, 2011 | $ 14,538,115 | $ 3,422,681 | $ 3,658,528 | $ 3,518,606 | $ 5,570,311 | $ 30,708,241 |

## BRENTWOOD UNION SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | | |
|---|---|---|
| Total net change in fund balances - governmental funds | | $ (9,007,756) |
| 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 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: | $ 12,369,245 | |
| Depreciation expense: | (5,137,358) | 7,231,887 |
| 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: | | 4,754,738 |
| 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 were: | | (2,098,000) |
| Earned but unavailable revenues: In governmental funds, revenues are recognized only to the extent that they are "available", meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenue is recognized when earned, regardless of availability. | | 50,019 |
| Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was: | | (74,413) |
| 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: | | (345,186) |
| 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. | | (51,673) |
| Total change in net assets - governmental activities | | $ 459,616 |

**BRENTWOOD UNION SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS**

**AGENCY FUNDS**

**JUNE 30, 2011**

| | Student Body |
|---|---|
| Assets: | |
| Cash on hand and in banks | $ 199,227 |
| Total Assets | 199,227 |
| Liabilities: | |
| Accounts Payable | 21,934 |
| Due to student groups | 177,293 |
| Total Liabilities | 199,227 |
| Net Assets | $ - |

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. ACCOUNTING POLICIES

Brentwood Union School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's California School Accounting Manual. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. For state entitlement programs, the District has elected to match the revenues in the period that program expenditures are made to be consistent with the accounting for grants and other revenues.

### B. REPORTING ENTITY

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

### C. BASIS OF PRESENTATION

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District. 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.

The government-wide statement of net assets presents information on all of the District’s assets and liabilities, with the difference between the two presented as net assets. Net assets are reported as one of three categories: invested in capital assets, net of related debt; restricted or unrestricted. Restricted net assets are further classified as either net assets restricted by enabling legislation or net assets that are otherwise restricted.

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

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

Fund Financial Statements

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

## D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after year-end.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

## E. FUND ACCOUNTING

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

<u>Governmental Funds:</u>

*General Fund* is the general operating fund of the District. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund.

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

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

2. *Special Reserve for Other Than Capital Outlay Fund* is used to account for the accumulation of funds for special projects other than capital projects.

3. *Special Reserve for Postemployment Benefits Fund* is used to account for amounts the District has earmarked for the future costs of post employment benefits.

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

1. *Capital Facilities Fund* is used to account for community redevelopment agency revenues and capital outlay expenditures.

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

3. *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bonds.

4. *Special Reserve for Capital Outlay Fund* is used to account for special building projects as determined by the District.

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

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District uses agency funds for student body funds to account for the raising and expending of money to promote the general welfare, morale and educational experience of the student body. These funds' activities are reported in a separate statement of fiduciary net assets. These funds are custodial in nature and do not involve measurement of results of operations. Accordingly, the District presents only a statement of fiduciary net assets and does not present a statement of changes in fiduciary net assets. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

## F. BUDGETS AND BUDGETARY ACCOUNTING

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

The District employs budgetary control by major object code and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. The budgets are revised during the year by the Board of Education to provide for unanticipated revenues and expenditures. The originally adopted and final revised budget for the General Fund is presented as required supplementary information.

## G. INVENTORY

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

The cafeteria fund records supplies expense which includes a handling charge for the delivery of government surplus food commodities. The state does not require the Cafeteria Fund to record the fair market value of these commodities. The supplies expenditures would have been greater had the District paid fair market value for the government surplus commodities.

## H. CAPITAL ASSETS

Capital assets are those purchased or acquired with an original cost of $5,000 or more and are reported at historical cost or estimated historical cost and capital improvement, acquisition or construction with an original cost of $50,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expenses as incurred. Depreciation on all capital assets is computed using the straight-line basis over the following estimated useful lives:

| Asset Class | Estimated Useful Life in Years |
|---|---|
| Sites and improvements | 20 |
| Buildings and improvements | 20-50 |
| Furniture and equipment | 5-35 |

## I. COMPENSATED ABSENCES

All vacation pay plus related payroll taxes are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. As of June 30, 2011, the District had no liability for compensated absences.

## J. ACCUMULATED SICK LEAVE

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

## K. RESTRICTED NET ASSETS

Restrictions of the ending net assets indicate the portions of net assets not appropriate for expenditure or amounts legally segregated for specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date.

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

## L. DEFERRED REVENUE

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

## M. PROPERTY TAX

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

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

## N. FUND BALANCE

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions"*, the District is required to report fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

*Nonspendable Fund Balance* reflects assets not in spendable form, either because they will never convert to cash (e.g. prepaid expense) or must remain intact pursuant to legal or contractual requirements.

*Restricted Fund Balance* reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

*Committed Fund Balance* reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority: the Board of Trustees. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Trustees.

*Assigned Fund Balance* reflects amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed. Under the District's adopted policy, only the Board of Trustees is authorized to assign amounts for specific purposes.

*Unassigned Fund Balance* represents the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the District considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

## O. ENCUMBRANCES

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

### P. ESTIMATES

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

### Q. ELIMINATIONS AND RECLASSIFICATIONS

In the process of aggregating data for the government-wide statements, some amounts reported as interfund activity and balances in the fund financial statements were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

## 2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2011 consist of the following:

| | Governmental Activities | Fiduciary Activities |
|---|---|---|
| Cash in County Treasury | $ 10,239,928 | |
| Cash on hand and in banks | 1,000 | $ 199,227 |
| Cash in revolving fund | 5,000 | |
| Local Agency Investment Fund | 11,464,713 | |
| | $ 21,710,641 | $ 199,227 |

### A. Cash in County Treasury

Cash in Contra Costa County Treasury consist of cash deposited in the interest-bearing Costa County Treasurer's Pooled Surplus Investment Fund. Investments are recorded at cost, which approximates fair value. Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. The District's deposits in the Fund are considered to be highly liquid.

As permitted under applicable state laws, the Contra Costa County Treasurer may invest in derivative securities. However, at June 30, 2011, the Contra Costa County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

**B. Cash in Revolving Funds and in Banks**

Cash balances held in banks and revolving funds are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

*Interest Rate Risk.* The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2011, the District had no significant interest rate risk related to cash and investments held.

**C. Local Agency Investment Fund**

The District places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in this pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account with twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations. This fund currently yields approximately 0.48% interest annually. The monies held in the pooled investment funds are not subject to categorization by risk category.

LAIF is administered by the State Treasurer and is audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall, Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized.

## 3. ACCOUNTS RECEIVABLE

Accounts receivable balances at June 30, 2011 consisted of:

| | General Fund | County School Facilities Fund | Building Fund | All Non-Major Funds | Total |
|---|---|---|---|---|---|
| Federal government: | | | | | |
| Federal programs | $ 446,855 | $ - | $ - | $ 166,808 | $ 613,663 |
| State government: | | | | | |
| Revenue Limit | 9,039,470 | - | - | - | 9,039,470 |
| Class Size Reduction | 1,272,737 | - | - | | 1,272,737 |
| Lottery | 521,666 | - | - | - | 521,666 |
| Other - State | 175,105 | - | - | - | 175,105 |
| Total state government | 11,008,978 | - | - | - | 11,008,978 |
| Local government: | | | | | |
| Other | 1,189,921 | 4,356 | 4,412 | 10,183 | 1,208,872 |
| Totals | $ 12,645,754 | $ 4,356 | $ 4,412 | $ 176,991 | $ 12,831,513 |

## 4. INTERFUND TRANSACTION

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

Interfund Receivables/Payables

There were no interfund receivable and payable balances at June 30, 2011.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2010-2011 fiscal year are as follows:

| | |
|---|---|
| Transfer from Capital Facilities Fund to County School Facilities Fund to repay OPSC overpayment for Bristow 11 Addition 2001-2002. | $ 61,097 |
| Transfer from Cafeteria Fund to the General Fund for Indirect Costs. | 59,265 |
| Transfer from County School Facilities Fund to Capital Facilities Fund for final repayment of funds advanced for Mary Casey Black | 599,339 |
| Transfer from County School Facilities Fund to Building Fund for final repayment of funds advanced for Mary Casey Black Elementary | 12,644 |
| Total Transfers | $ 732,345 |

## 5. CAPITAL ASSETS

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

| | Balance July 1, 2010 | Additions and Transfers | Deductions and Transfers | Balance June 30, 2011 |
|---|---|---|---|---|
| Non-depreciable assets: | | | | |
| Land | $ 22,673,946 | | | $ 22,673,946 |
| Work in progress | 6,041,456 | 12,343,046 | (756,016) | 17,628,486 |
| | 28,715,402 | 12,343,046 | (756,016) | 40,302,432 |
| Depreciable assets: | | | | |
| Sites and improvements | 33,775,597 | | | 33,775,597 |
| Building and improvements | 139,261,868 | 433,269 | | 139,695,137 |
| Furniture and equipment | 2,861,602 | 348,946 | | 3,210,548 |
| | 175,899,067 | 782,215 | - | 176,681,282 |
| Totals, at cost | 204,614,469 | 13,125,261 | (756,016) | 216,983,714 |
| Accumulated depreciation: | | | | |
| Sites and improvements | (10,944,175) | (1,615,491) | | (12,559,666) |
| Building and improvements | (23,449,679) | (3,292,221) | | (26,741,900) |
| Furniture and equipment | (1,293,155) | (229,646) | | (1,522,801) |
| | (35,687,009) | (5,137,358) | - | (40,824,367) |
| Depreciable assets, net | 140,212,058 | (4,355,143) | - | 135,856,915 |
| Capital assets, net | $ 168,927,460 | $ 7,987,903 | $ (756,016) | $ 176,159,347 |

Depreciation expense was charged to governmental activities as follows:

| | |
|---|---|
| Instruction | $ 3,688,769 |
| Supervision of Instruction | 95,646 |
| Instructional Library and Technology | 67,621 |
| School site administration | 326,929 |
| Food services | 173,889 |
| Other Pupil Services | 121,512 |
| Data Processing | 51,265 |
| Other General Administration | 171,985 |
| Plant services | 439,743 |
| Total depreciation expense | $ 5,137,358 |

## 6. LONG-TERM LIABILITIES

### General Obligation Bonds

The District's outstanding general obligation bonded debt as of June 30, 2011 is as follows:

### A. Current Interest Bonds

| Description | Date Of Issue | Interest Rates | Maturity Date | Amount of Original Issue | Outstanding July 1, 2010 | Issued Current Year | Redeemed Current Year | Outstanding June 30, 2011 |
|---|---|---|---|---|---|---|---|---|
| 1997 Series B | 2001 | 4.35% - 7.30% | 2021 | $ 6,000,000 | $ 4,910,000 | | $ 290,000 | $ 4,620,000 |
| 1997 Series E | 2002 | 4.00% - 7.00% | 2024 | 6,000,000 | 4,800,000 | | 200,000 | 4,600,000 |
| 2003 Refunding | 2003 | 2.00% - 5.00% | 2019 | 8,995,000 | 5,370,000 | | 650,000 | 4,720,000 |
| 2003 Series A | 2004 | 3.50% - 8.00% | 2026 | 12,000,000 | 11,280,000 | | 175,000 | 11,105,000 |
| 2003 Series B | 2005 | 3.63% - 7.00% | 2030 | 12,000,000 | 10,430,000 | | 350,000 | 10,080,000 |
| 2003 Series C | 2007 | 3.80% - 8.00% | 2032 | 11,000,000 | 10,645,000 | | 285,000 | 10,360,000 |
| 2007 Refunding | 2007 | 3.50% - 5.25% | 2023 | 7,175,000 | 7,120,000 | | - | 7,120,000 |
| | | | | $ 63,170,000 | $ 54,555,000 | $ - | $ 1,950,000 | $ 52,605,000 |

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2011, are as follows:

| Year Ended June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2012 | $ 2,030,000 | $ 2,239,538 | $ 4,269,538 |
| 2013 | 2,200,000 | 2,134,516 | 4,334,516 |
| 2014 | 2,370,000 | 2,028,480 | 4,398,480 |
| 2015 | 2,540,000 | 1,922,650 | 4,462,650 |
| 2016 | 2,705,000 | 1,809,048 | 4,514,048 |
| 2017-2021 | 15,820,000 | 7,143,896 | 22,963,896 |
| 2022-2026 | 13,375,000 | 3,919,654 | 17,294,654 |
| 2027-2031 | 10,845,000 | 1,080,036 | 11,925,036 |
| 2032-2036 | 720,000 | 15,300 | 735,300 |
| Totals | $ 52,605,000 | $ 22,293,117 | $ 74,898,117 |

**B. Capital Appreciation Bonds**

The outstanding obligation for the capital appreciation bonds at June 30, 2011, is as follows:

| Description | Date Of Issue | Interest Rates | Maturity Date | Amount of Original Issue | Outstanding July 1, 2010 | Accreted Interest Current Year | Redeemed Current Year | Outstanding June 30, 2011 |
|---|---|---|---|---|---|---|---|---|
| 1997 Series C | 2001 | 5.81% - 5.89% | 2026 | $ 999,704 | $ 1,741,624 | $ 103,366 | $ - | $ 1,844,990 |
| 1997 Series D | 2002 | 4.25% - 4.50% | 2012 | 1,996,669 | 687,903 | 15,824 | 350,000 | 353,727 |
| | | | | $ 2,996,373 | $ 2,429,527 | $ 119,190 | $ 350,000 | $ 2,198,717 |

The annual requirements to amortize the capital appreciation bonds at June 30, 2011, are as follows:

| Year Ended June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2012 | $ 235,585 | $ 119,415 | $ 355,001 |
| 2013 | - | - | - |
| 2014 | - | - | - |
| 2015 | - | - | - |
| 2016 | - | - | - |
| 2017-2021 | - | - | - |
| 2022-2026 | 999,704 | 2,690,296 | 3,690,000 |
| 2027-2031 | - | - | - |
| 2032-2036 | - | - | - |
| Totals | $ 1,235,289 | $ 2,809,711 | $ 4,045,001 |

**C. Certificates of Participation**

In January 1998, the Contra Costa Schools Financing Authority issued certificates of participation in the amount of $5,785,000, with variable interest rates. At June 30, 2010, the outstanding principal balance for the 1998 Certificates of Participation was $2,270,000. Subsequent to June 30, 2010, a principal payment was made in the amount of $185,000 and then the remaining balance was refinanced as a capital lease in the amount of $2,098,000.

### C. Capitalized Lease Obligations

In February 2010, the District refinanced the 1996 certificates of participation and entered into an adjustable rate capital lease with Zion's National bank in the amount of $997,000. The initial interest is 3.70% for the first five years and will reset to 85% of the Seattle Federal Home Loan Bank's five-year Advanced Rate for the remaining term of the lease. The lease matures on March 1, 2020.

In August 2010, the District refinanced its remaining certificates of participation and entered into an adjustable rate capital lease in the amount of $2,098,000. The initial interest rate is 3.68% and matures on August 1, 2019.

Future minimum lease payments for both of the capital leases are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2012 | $ 291,336 | $ 104,620 | $ 395,956 |
| 2013 | 302,174 | 93,783 | 395,957 |
| 2014 | 313,415 | 82,542 | 395,957 |
| 2015 | 325,073 | 70,883 | 395,956 |
| 2016 | 337,166 | 58,791 | 395,957 |
| 2017-2021 | 1,341,098 | 104,984 | 1,446,082 |
| Totals | $ 2,910,262 | $ 515,603 | $3,425,865 |

### D. Summary of Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2011, is shown below.

| | Balance July 1, 2010 | Additions | Deductions | Balance June 30, 2011 | Due Within One Year |
|---|---|---|---|---|---|
| General Obligation Bonds: | | | | | |
| Current Interest | $ 54,555,000 | $ - | $ 1,950,000 | $ 52,605,000 | $ 1,980,000 |
| Capital Appreciation | 2,429,527 | 119,190 | 350,000 | 2,198,717 | 353,728 |
| Certificates of Participation | 2,270,000 | - | 2,270,000 | - | - |
| Capital Leases | 997,000 | 2,098,000 | 184,738 | 2,910,262 | 291,336 |
| Other Postemployment benefits | 652,473 | 392,416 | 47,230 | 997,659 | 59,753 |
| | $ 60,904,000 | $ 2,609,606 | $ 4,801,968 | $ 58,711,638 | $ 2,684,817 |

## 7. FUND BALANCES

The District reports fund balances in accordance with Governmental Accounting Standards Board Statement No. 54. All fund balance categories are reported in the aggregate on the face of the balance sheet. All components of those fund balances and specific purposes are identified as follows:

| | General Fund | County School Facilities Fund | Building Fund | Bond Interest and Redemption Fund | Non-Major Funds | Total |
|---|---|---|---|---|---|---|
| Nonspendable: | | | | | | |
| Inventory | $ 6,744 | | | | $ 30,176 | $ 36,920 |
| Revolving Cash | 5,000 | | | | - | 5,000 |
| Total Nonspendable | 11,744 | - | - | - | 30,176 | 41,920 |
| Restricted: | | | | | | |
| Unspent Categorical Revenues | 1,518,496 | | | | | 1,518,496 |
| County School Facilities | | $ 3,422,681 | | | | 3,422,681 |
| Building Fund | | | $ 3,658,528 | | | 3,658,528 |
| Capital Facilities | | | | | 2,751,209 | 2,751,209 |
| Debt Service | | | | $ 3,518,606 | - | 3,518,606 |
| Total Restricted | 1,518,496 | 3,422,681 | 3,658,528 | 3,518,606 | 2,751,209 | 14,869,520 |
| Committed: | | | | | | |
| Food Services | | | | | 703,034 | 703,034 |
| Post Employment Beneftis | | | | | 69,394 | 69,394 |
| Total Committed | - | - | - | - | 772,428 | 772,428 |
| Assigned: | | | | | | |
| Intervention | 99,461 | | | | | 99,461 |
| Medi-Cal Administrative Activities | 1,134,264 | | | | | 1,134,264 |
| Site 1 Time | 9,380 | | | | | 9,380 |
| Site Based | 49,191 | | | | | 49,191 |
| C&I Instructional Materials | 7,180 | | | | | 7,180 |
| Brentwood BTSA | 3,531 | | | | | 3,531 |
| FECCC BTSA | 230,610 | | | | | 230,610 |
| Lottery | 1,268,933 | | | | | 1,268,933 |
| Special Reserve | | | | | 663,834 | 663,834 |
| Capital Outlay | | | | | 1,352,664 | 1,352,664 |
| Total Assigned | 2,802,550 | - | - | - | 2,016,498 | 4,819,048 |
| Unassigned: | | | | | | |
| Designated for Economic Uncertainties | 1,695,332 | | | | | 1,695,332 |
| Board Reserve | 715,123 | | | | | 715,123 |
| Undesignated | 7,794,870 | | | | | 7,794,870 |
| Total Unassigned | 10,205,325 | - | - | - | - | 10,205,325 |
| Total Fund Balances | $14,538,115 | $ 3,422,681 | $ 3,658,528 | $ 3,518,606 | $ 5,570,311 | $30,708,241 |

## 8. EMPLOYEE RETIREMENT SYSTEMS

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

### A. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary, and Brentwood Union School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-2011 was 10.677% of annual payroll. The contribution requirements of the plan members are established by the state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2011, 2010, and 2009 were $740,831, $670,899, and $649,302, respectively, and equal 100% of the required contributions for each year.

### B. State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8% of their salary and Brentwood Union School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-2011 was 8.25% of annual payroll. The contribution requirements of the plan members are established by the state statute. The District's contributions to STRS for the fiscal year ending June 30, 2011, 2010 and 2009 were $2,676,993, $2,766,291, and $2,759,752, respectively, and equal 100% of the required contributions for each year.

## 9. JOINT VENTURES

The District participates in three joint ventures under Joint Powers Agreements (JPA): Contra Costa County Schools Insurance Group (CCCSIG), for workers' compensation and health and welfare insurance, Contra Costa and Solano Counties School District Self Insurance Authority (CCSOLANO) for property and liability insurance and Schools Self-Insurance of Contra Costa County (SSICCC) for dental and vision. The relationship between Brentwood Union School District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

Condensed financial information for the JPAs for the most recent fiscal year available is as follows:

| | CCCSIG June 30, 2011 | CCSOLANO June 30, 2011 | SSICCC June 30, 2011 |
|---|---|---|---|
| Total Assets | $ 92,712,166 | $ 1,430,775 | $ 6,600,595 |
| Total Liabilities | $ 74,926,034 | $ 1,027,092 | $ 1,061,682 |
| Net Assets | 17,786,132 | 403,683 | 5,538,913 |
| Total Liabilities and Net Assets | $ 92,712,166 | $ 1,430,775 | $ 6,600,595 |
| Revenues | $ 41,257,128 | $ 2,582,458 | $ 14,371,390 |
| Expenditures | 48,048,482 | 2,905,729 | 14,539,893 |
| Change in Net Assets | $ (6,791,354) | $ (323,271) | $ (168,503) |

Audited financial statements for the JPAs are prepared annually and can be obtained from management of the individual JPAs.

## 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

*Plan Description.* The District provides retiree health benefits for eligible retired employees. Employees eligible to participate in the Plan are all current employees with at least 20 years of full-time service with the District and are eligible for pension benefits under either the California State Teachers Retirement System (CalSTRS) or California Public Employees Retirement System (CalPERS). The Plan is a single-employer defined benefit health care plan administered by the District which provides contributions towards the purchase of medical insurance to eligible retirees. The Governing Board retains the authority to establish and amend plan benefit provisions. A separate, stand-alone financial report is not issued for the Plan. At June 30, 2011, the plan has 7 retirees receiving benefits.

The District and retirees share in the cost of benefits as follows:

*Medical Benefits:* The District subsidizes an amount not to exceed the rate for a single person medical coverage in the health plan in effect, which the retiring employee is enrolled in at the time of retirement. The District provides the benefit for 10 years or until the retiree reaches age 65, whichever comes first. The retiree is responsible for self-paying any costs in excess of the subsidized amount associated with his/her coverage plus the costs for spouses or dependents of any age.

*Annual OPEB Cost and Net OPEB Obligation.* The District's annual OPEB cost is calculated based on the annual required contribution (ARC). For fiscal year 2011, the District's annual OPEB cost for the Plan was $397,715. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011, were as follows:

| | |
|---|---|
| Annual Required Contribution (ARC) | $ 402,236 |
| Interest on Net OPEB Obligation | 32,623 |
| Adjustment to annual required contribution | (42,443) |
| Annual OPEB cost | 392,416 |
| Contributions made | (47,230) |
| Change in Net OPEB obligation | 345,186 |
| Net OPEB obligation - beginning of year | 652,473 |
| Net OPEB obligation - end of year | $ 997,659 |

| Fiscal Year Ended | Annual OPEB Cost | Employer Contribution | Percentage Contributed | Net Ending OPEB Obligation |
|---|---|---|---|---|
| June 30, 2009 | $ 341,836 | $ 40,976 | 12.0% | $ 300,860 |
| June 30, 2010 | $ 397,715 | $ 46,102 | 11.6% | $ 652,473 |
| June 30, 2011 | $ 392,416 | $ 47,230 | 12.0% | $ 997,659 |

*Funding Policy, Funded Status, and Funding Progress.* The Governing Board retains the authority to establish and amend plan benefit provisions, including those related to contributions. The District currently pays for post employment health care benefits on a pay-as-you-go basis and these financial statements assume that pay-as-you-go funding will continue.

| Actuarial Valuation Date | Actuarial Accrued Liability (AAL) Entry Age (a) | Actuarial Value of Assets (b) | Unfunded Liability (UAAL) (a-b) | Funded Status (b/a) | Annual Covered Payroll (c) | UAAL as a % of payroll ([a-b]/c) |
|---|---|---|---|---|---|---|
| 7/1/2009 | $6,800,485 | $0 | $6,800,485 | 0% | $40,440,161 | 16.82% |

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and the plan members to that point. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar basis.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement age and other factors that affect the number of people eligible to receive future retiree benefits. 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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the May 16, 2009 actuarial valuation, the liabilities were computed using the projected unit credit method and level dollar amortization over 30 years. The actuarial assumptions utilized a 5% discount rate, the expected long-term rate of return on District assets. The valuation assumes an initial healthcare cost trend rate of 6%, which grades down to an ultimate rate of 5% by the year 2011.

## 11. COMMITMENTS AND CONTINGENCIES

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

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

## 12. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosures in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2011, the District has adopted an early retirement incentive program and has the following required disclosures:

| Position | Age | Service Credit | Current Salary & Benefits | Replacement Employee Cost | Retirement Cost | Net Savings |
|---|---|---|---|---|---|---|
| Teacher | 65 | 11 | $ 101,606 | $ - | $ 65,669 | $ 35,937 |
| Teacher | 61 | 23 | 101,598 | - | 65,552 | 36,046 |
| Teacher | 60 | 24 | 56,051 | - | 57,687 | (1,636) |
| Speech | 63 | 12 | 96,153 | 75,000 | 65,149 | (43,996) |
| Teacher | 62 | 31 | 102,376 | - | 73,055 | 29,321 |
| Teacher | 64 | 32 | 103,782 | 75,000 | 69,579 | (40,797) |
| Teacher | 59 | 32 | 102,376 | - | 68,286 | 34,090 |
| Teacher | 65 | 16 | 101,598 | - | 66,701 | 34,897 |
| Teacher | 63 | 27 | 101,598 | - | 71,021 | 30,577 |
| Teacher | 63 | 17 | 97,278 | 75,000 | 65,633 | (43,355) |
| Teacher | 60 | 34 | 102,385 | - | 71,292 | 31,093 |
| Teacher | 61 | 25 | 54,645 | - | 66,239 | (11,594) |
| Teacher | 59 | 20 | 101,598 | - | 59,982 | 41,616 |
| | | | $ 1,223,044 | $ 225,000 | $ 865,845 | $ 132,199 |

## 13. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds for the year ended June 30, 2011 were as follows:

| | Excess Expenditures |
|---|---|
| General Fund: | |
| Certificated salaries | $ 13,885 |
| Employee benefits | 29,849 |
| Capital outlay | 328,487 |

These excesses are not in accordance with Education Code Section 42600. Budget revisions for expenditures in excess of budgeted amounts were not made at the end of the fiscal year.

## 14. SUBSEQUENT EVENT

The District's management evaluated its 2011 financial statements for subsequent events through December 14, 2011, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

# REQUIRED SUPPLEMENTARY INFORMATION

## BRENTWOOD UNION SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL

## GENERAL FUND

## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Budget | | | Variance with Final Budget Favorable |
|---|---|---|---|---|
| | Original | Final | Actual | (Unfavorable) |
| **REVENUES** | | | | |
| Revenue limit sources: | | | | |
| State apportionment | $ 26,682,554 | $ 29,633,650 | $ 29,778,191 | $ 144,541 |
| Local sources | 11,881,513 | 11,425,380 | 11,425,380 | - |
| Total revenue limit | 38,564,067 | 41,059,030 | 41,203,571 | 144,541 |
| Federal revenue | $ 3,033,937 | $ 4,251,513 | $ 4,228,603 | $ (22,910) |
| Other state revenues | 7,052,936 | 7,309,663 | 7,414,628 | 104,965 |
| Other local revenues | 4,253,002 | 4,614,343 | 4,680,394 | 66,051 |
| Total revenues | 52,903,942 | 57,234,549 | 57,527,196 | 292,647 |
| **EXPENDITURES** | | | | |
| Certificated salaries | 31,930,913 | 31,680,675 | 31,694,560 | (13,885) |
| Classified salaries | 7,198,602 | 7,141,754 | 7,101,235 | 40,519 |
| Employee benefits | 8,781,290 | 8,655,962 | 8,685,811 | (29,849) |
| Books and supplies | 1,499,593 | 1,659,634 | 1,450,809 | 208,825 |
| Services and other operating expenditures | 5,537,843 | 5,703,393 | 5,332,962 | 370,431 |
| Capital outlay | 440,863 | 222,943 | 551,430 | (328,487) |
| Other outgo | 92,500 | 122,052 | 110,754 | 11,298 |
| Total expenditures | 55,481,604 | 55,186,413 | 54,927,561 | 258,852 |
| Excess (deficiency) of revenues over expenditures | (2,577,662) | 2,048,136 | 2,599,635 | 551,499 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Operating transfers in | 77,520 | 77,520 | 59,265 | 18,255 |
| Operating transfers out | | | - | - |
| Total other financing sources (uses) | 77,520 | 77,520 | 59,265 | (18,255) |
| Net change in fund balances | (2,500,142) | 2,125,656 | 2,658,900 | 533,244 |
| Fund balances, July 1, 2010 | 11,879,215 | 11,879,215 | 11,879,215 | - |
| Fund balances, June 30, 2011 | $ 9,379,073 | $ 14,004,871 | $ 14,538,115 | $ 533,244 |

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## APPENDIX C

## PROPOSED FORM OF OPINION OF BOND COUNSEL

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

[Closing Date]

Brentwood Union School District
Brentwood, California

Brentwood Union School District
(Contra Costa County, California)
General Obligation Refunding Bonds, Series 2012
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Brentwood Union School District (the "District"), which is located in the County of Contra Costa (the "County"), in connection with the issuance by the District of $23,155,000 aggregate principal amount of Brentwood Union School District (Contra Costa County, California) General Obligation Refunding Bonds, Series 2012 (the "Bonds"), pursuant to the Paying Agent Agreement, dated as of April 1, 2012 (the "Paying Agent Agreement"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent"). Capitalized undefined terms used herein have the meanings ascribed thereto in the Paying Agent Agreement.

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

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

Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated March 28, 2012, or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute valid and binding obligations of the District.

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

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

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

## APPENDIX D

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

**THIS CONTINUING DISCLOSURE CERTIFICATE** (this "Disclosure Certificate") is executed and delivered by the Brentwood Union School District (the "District") in connection with the issuance of $23,155,000 aggregate principal amount of Brentwood Union School District (Contra Costa County, California) General Obligation Refunding Bonds, Series 2012 (the "Bonds"). The Bonds are being issued pursuant to the Paying Agent Agreement, dated as of April 1, 2012, by and between the District and The Bank of New York Mellon Trust Company, N.A., as paying agent, as originally executed and as it may be amended or supplemented from time to time (the "Paying Agent Agreement"). The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

"Official Statement" shall mean the Official Statement, dated March 28, 2012 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

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

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

**Section 3. Provision of Annual Reports.** (a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which due date shall be April 1 of each year, so long as the fiscal year ends on June 30), commencing with the report for the 2011-2012 Fiscal Year (which is due not later than April 1, 2013), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

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

(c) The Dissemination Agent shall:

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

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

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

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

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

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

(ii) The District's average daily attendance.

(iii) The District's outstanding debt.

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

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

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

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

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

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

(i) principal and interest payment delinquencies;

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

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

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

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

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; or

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

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

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

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

(ii) modifications to rights of Bond Holders;

(iii) optional, unscheduled or contingent Bond calls;

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

(v) non-payment related defaults;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dated: April 17, 2012

**BRENTWOOD UNION SCHOOL DISTRICT**

By: ____________________________________

## EXHIBIT A

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

| | |
|---|---|
| Name of Issuer: | **BRENTWOOD UNION SCHOOL DISTRICT** |
| Name of Issue: | Brentwood Union School District (Contra Costa County, California) General Obligation Refunding Bonds, Series 2012 |
| Date of Issuance: | April 17, 2012 |

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated April 17, 2012. [The District anticipates that the Annual Report will be filed by _____________.]

Dated:_______________

**BRENTWOOD UNION SCHOOL DISTRICT**

# APPENDIX E

## DTC AND THE BOOK-ENTRY SYSTEM

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

*Neither the issuer of the Bonds (the "District") nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the "Agent") take any responsibility for the information contained in this Appendix.*

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

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from District or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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