NEW ISSUE -- FULL BOOK-ENTRY **RATING: Moody's: "Aa2"**
See "RATING"

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Refunding Bonds is excluded from gross income for federal income tax purposes, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

$26,220,000
LIBERTY UNION HIGH SCHOOL DISTRICT
(Contra Costa County, California)
2012 General Obligation Refunding Bonds

Dated: Date of Delivery Due: August 1, as shown below

The Liberty Union High School District 2012 General Obligation Refunding Bonds (the "Refunding Bonds"), in the aggregate principal amount of $26,220,000 are being issued by the Liberty Union High School District (the "District") to provide funds to refund all or a portion of certain series of general obligation bonds of the District, described herein.

The Board of Supervisors of Contra Costa County has the power and is obligated to annually levy *ad valorem* taxes 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) for the payment of principal of and interest on the Refunding Bonds. The Refunding Bonds are not a debt of Contra Costa County. The District currently has other general obligation bonds outstanding that are similarly payable from *ad valorem* taxes, payable and secured on parity with the Refunding Bonds.

The Refunding Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interests in the Refunding Bonds. Interest with respect to the Refunding Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2013, by check mailed to the registered owner. Payments of principal of and interest on the Refunding Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., San Francisco, California, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Refunding Bonds. See "APPENDIX E – The Book-Entry System."

The Refunding Bonds are subject to optional redemption prior to maturity, as described herein. See "THE REFUNDING BONDS – Redemption".

The following firm, serving as financial advisor to the District, has structured this financing:

KNN
public finance
A Division of Zions First National Bank

MATURITY SCHEDULE*

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† 530319	Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† 530319
2013	$1,185,000	2.000%	0.600%	PS5	2022	$ 785,000	5.000%	2.650%	QB1
2014	1,265,000	3.000	0.800	PT3	2023	825,000	5.000	2.750 c	QC9
2015	1,300,000	3.000	0.900	PU0	2024	865,000	4.000	3.000 c	QD7
2016	1,350,000	4.000	1.000	PV8	2025	900,000	3.000	3.150	QE5
2017	1,400,000	4.000	1.150	PW6	2026	930,000	3.125	3.250	QF2
2018	1,460,000	4.000	1.500	PX4	2027	960,000	3.250	3.350	QG0
2019	1,485,000	4.000	1.900	PY2	2028	2,925,000	5.000	3.280 c	QH8
2020	1,555,000	5.000	2.250	PZ9	2029	3,060,000	5.000	3.380 c	QJ4
2021	750,000	5.000	2.500	QA3	2030	3,220,000	3.500	3.650	QK1

C: priced to call at par on August 1, 2022

This cover page contains information for general reference only. It is not a summary of all the provisions of the Refunding Bonds. Investors must read the entire official statement to obtain information essential in making an informed investment decision.

The Refunding Bonds were sold and awarded by competitive bid held June 13, 2012, as set forth in the Official Notice of Sale. The Refunding Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Jones Hall is also serving as Disclosure Counsel to the District. It is anticipated that the Refunding Bonds in book-entry form will be available for delivery through the facilities of DTC on or about July 11, 2012.

Dated: June 13, 2012

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

Stabilization of Prices. In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Refunding Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Refunding Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

Summary Information. The information contained in this Official Statement has been furnished by the District and other sources which are believed to be reliable. Summaries and references to statutes and documents in this Official Statement do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each such statute or document. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sales made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District, the County or any other parties described herein since the date hereof. **The County has not approved this Official Statement or taken any responsibility for the adequacy, accuracy or fairness of the statements contained herein.**

THE REFUNDING BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE REFUNDING BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

LIBERTY UNION HIGH SCHOOL DISTRICT

PROFESSIONAL SERVICES

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

PAYING AGENT
The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

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

VERIFICATION AGENT
Causey Demgen & Moore Inc.
Denver, Colorado

TABLE OF CONTENTS

Page

OFFICIAL STATEMENT

$26,220,000
LIBERTY UNION HIGH SCHOOL DISTRICT
(Contra Costa County, California)
2012 General Obligation Refunding Bonds

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of the Liberty Union High School District 2012 General Obligation Refunding Bonds (the "**Refunding Bonds**") in the principal amount of $26,220,000.

INTRODUCTION

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

The District. The Liberty Union High School District (the "**District**") provides educational services to the residents of the Cities of Brentwood and Oakley and the unincorporated communities of Byron, Knightson, and Discovery Bay in Contra Costa County (the "**County**"), in the State of California (the "**State**"). The District was established in 1902, and is comprised of an area of approximately 350 square miles. The District operates three comprehensive high schools, one continuation high school, an independent study program and an adult education program. Average Daily Attendance in the District for the 2011-12 school year is estimated to be 7,151 students. For general and financial information about the District, see APPENDIX B.

Purpose of Issue. The net proceeds of the Refunding Bonds will be used to refund all or a portion of the District's outstanding:

- $13,575,000 General Obligation Bonds, Election of 2001, Series A, issued on May 28, 2002, currently outstanding in the principal amount of $9,135,000; (the "**Series A Bonds**"),

- $17,640,000 General Obligation Bonds, Election of 2001, Series C issued on March 2, 2004, currently outstanding in the principal amount of $12,980,000 (the "**Series C Bonds**"), and

- $11,750,000 2004 General Obligation Refunding Bonds issued on December 15, 2004, currently outstanding in the principal amount of $7,345,000 (the "**2004 Refunding Bonds**").

The Series A Bonds, the Series C Bonds and the 2004 Refunding Bonds are referred to herein as the "**Prior Bonds**". See "THE REFUNDING BONDS -- Purpose of Issue" and

"SOURCES AND USES OF FUNDS." The Refunding Bonds are issued on parity with any general obligation bonds of the District currently outstanding or issued in the future.

Description of the Refunding Bonds. The Refunding Bonds are issued pursuant to a resolution of the Board of Trustees of the District adopted on May 23, 2012 (the "**Resolution**"). The Refunding Bonds will be dated their date of delivery (the "**Closing Date**") and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof, 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 herein. Beneficial Owners will not be entitled to receive physical delivery of the Refunding Bonds. See "APPENDIX F – The Book-Entry System."

Redemption. The Refunding Bonds are subject to optional redemption prior to maturity. See "THE REFUNDING BONDS – Redemption".

Sources of Payment for the Refunding Bonds. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes for the payment of the Refunding Bonds and the interest thereon, upon all property within the District subject to taxation, without limitation of rate or amount (except certain personal property which is taxable at limited rates). The Refunding Bonds are not a debt of the County. See "THE REFUNDING BONDS – Security."

Legal Matters. Issuance of the Refunding Bonds is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California ("**Bond Counsel**"), to be delivered in substantially the form attached hereto as Appendix D. Jones Hall, A Professional Law Corporation is also serving as disclosure counsel to the District. *Payment of the fees of Bond Counsel and Disclosure Counsel is contingent upon issuance of the Refunding Bonds.*

No Approval by County of Financing Team, Bond Structure or Official Statement. The County has not assisted the District or participated in any way in: (i) the selection of the Underwriter, Bond Counsel, Disclosure Counsel, Financial Advisor or Paying Agent; or (ii) the structuring of the Refunding Bonds. In addition, the County has not approved this Official Statement or taken any responsibility for the adequacy, accuracy, or fairness of the statements contained herein.

The Refunding Bonds are not a Debt of the County. The Refunding Bonds are not a debt of the County. The County, including its Board of Supervisors, officers, officials, agents and other employees, shall be required only to the extent required by law to: (i) levy and collect *ad valorem* taxes for payment of the Refunding Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the Paying Agent for the payment of the principal of and interest on the Refunding Bonds at the time such payment is due.

Other Information. This Official Statement speaks only as of its date, and the information contained herein is subject to change. For limiting factors about this Official Statement, see "GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT" inside the cover hereof.

Copies of documents referred to herein and information concerning the Refunding Bonds are available from the Chief Business Officer, Liberty Union High School District, 20 Oak Street, Brentwood, California 94513; telephone (925) 634-2166. The District may impose a charge for copying, mailing and handling.

THE REFUNDING BONDS

Authority for Issuance

The Refunding Bonds are being issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with Sections 53550 et seq.) of the California Government Code (collectively, the "**Bond Law**") and are authenticated and delivered pursuant to the Resolution. Pursuant to the Government Code, bonds issued for the purpose of refunding outstanding bonds previously authorized by voter approval, and that reduce the debt service obligation of taxpayers, do not require voter approval, either for issuance or the levy of *ad valorem* property tax sufficient to pay principal and interest due on the refunding bonds.

Purpose of Issue

The net proceeds of Refunding Bonds will be used to refund all or a portion of the Prior Bonds, as described under "THE REFUNDING PLAN." The 2004 Refunding Bonds were issued to refinance general obligation bonds issued by the District to finance projects specified in the ballot measure approved by the District's voters, and the Series A Bonds and Series C Bonds were issued under a bond authorization received in 2001. Projects authorized by the voters included the acquisition, construction, and rehabilitation of school facilities in the District.

Security

The Board of Supervisors of the County has the power and is obligated to levy *ad valorem* taxes for the payment of the Refunding 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). Such taxes are required to be levied annually, in addition to all other taxes, during the period that the Refunding Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Refunding Bonds when due. Such taxes, when collected, will be deposited into a debt service fund for the Refunding Bonds (the "**Debt Service Fund**"), which is maintained by the County Treasurer-Tax Collector in an amount sufficient for the payment of principal of and interest on the Refunding Bonds when due. **Although the County is obligated to levy an *ad valorem* tax for the payment of the Refunding Bonds, the Refunding Bonds are not a debt of the County.**

The moneys in the Debt Service Fund, to the extent necessary to pay the principal and interest on the Refunding Bonds as the same become due and payable, shall be transferred by the County to the Paying Agent, which, in turn, shall pay such moneys to DTC to pay the principal and interest on the Refunding Bonds. DTC will thereupon make payments of principal and interest on the Refunding Bonds to the DTC Participants who will thereupon make payments of principal and interest to the beneficial owners of the Refunding Bonds. See "APPENDIX F – The Book-Entry System."

The amount of the annual *ad valorem* tax levied by the County to repay the Refunding 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 Refunding Bonds. A reduction in the assessed valuation of taxable property in the District caused by economic factors beyond the District's control, such as economic recession, slower growth, or decrease in land values, a relocation out of the District or change to tax-exempt status by one or more major property owners, or the complete or partial destruction of such property caused by, among other eventualities, an earthquake, flood or other natural disaster, could cause a reduction in the assessed value of the District and necessitate an unanticipated increase in the annual tax levy. For further information regarding the District's tax base, tax rates, overlapping debt and other matters concerning taxation, see "SECURITY FOR THE REFUNDING BONDS."

Description of the Refunding Bonds

The Refunding Bonds shall be issued in fully registered form, in denominations of $5,000 or any integral multiple thereof, and shall be initially issued and registered in the name of "Cede & Co.," as nominee of DTC. Purchasers will not receive physical certificates representing their interest in the Refunding Bonds. See "APPENDIX F – The Book-Entry System."

The Refunding Bonds mature on August 1, in the years and amounts set forth on the cover page hereof. Interest with respect to the Refunding Bonds accrues from the Closing Date, and is payable semiannually on February 1 and August 1 of each year (each, an "**Interest Payment Date**") commencing February 1, 2013. The Refunding Bonds will bear interest from the Interest Payment Date next preceding the date of authentication, unless (i) it is authenticated as of an Interest Payment Date, in which event it shall bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15th) day of the month preceding an Interest Payment Date, whether or not such day is a business day (the "**Record Date**"), in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the first Record Date, in which event it shall bear interest from its dated date; *provided, however*, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Refunding Bonds (including the final interest payment upon maturity or redemption) is payable by check of the Paying Agent mailed to the Owner thereof at such Owner's address as it appears on the Registration Books at the close of business on the preceding Record Date; provided that at the written request of the Owner of at least $1,000,000 aggregate principal amount of the Refunding Bonds, which written request is on file with the Paying Agent as of any Record Date, interest on such Refunding Bonds shall be paid on the succeeding Interest Payment Date to such account (within the United States) as shall be specified in such written request. Principal of and premium (if any) on the Refunding Bonds is payable in lawful money of the United States of America upon presentation and surrender at the Principal Office of the Paying Agent.

Each Refunding Bond delivered under the Resolution upon transfer of or in exchange for or in lieu of any other Refunding Bond shall carry all the rights to interest accrued and unpaid, and to accrue, that were carried by such other Refunding Bond. Each such Refunding Bond shall bear interest from such date that neither loss nor gain in interest shall result from such transfer, exchange, or substitution.

Paying Agent

The Bank of New York Mellon Trust Company, N.A., San Francisco, California will initially act as the registrar, transfer agent, and paying agent for the Refunding Bonds. As long as DTC is the registered owner of the Refunding Bonds and DTC's book-entry method is used for the Refunding 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 Refunding Bonds called for redemption or of any other action premised on such notice. See "APPENDIX F – The Book-Entry System."

The Paying Agent, the District, the County, the Underwriter and the Financial Advisor of the Refunding 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 Refunding Bonds.

Redemption

The Refunding Bonds maturing on or before August 1, 2022 are not subject to redemption prior to their respective stated maturities. The Refunding Bonds maturing on or after August 1, 2023 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after August 1, 2022, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium. For the purpose of selection for optional redemption, Refunding Bonds will be deemed to consist of $5,000 portions, and any such portion may be separately redeemed.

Defeasance

The Refunding Bonds may be paid by the District in any of the following ways:

> (i) by paying or causing to be paid the principal or redemption price of and interest on such Refunding Bonds, as and when the same become due and payable;
>
> (ii) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Resolution, and described following, to pay such Refunding Bonds); or
>
> (iii) by delivering such Refunding Bonds to the Paying Agent for cancellation.

If there will be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay any Refunding Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established pursuant to the Resolution and must be:

> (i) lawful money of the United States of America in an amount equal to the principal amount of such Refunding Bonds and all unpaid interest thereon to maturity; or
>
> (ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal and all unpaid interest to maturity on the Refunding Bonds to be paid, as such principal and interest become due.

The District may at any time surrender to the Paying Agent any Refunding Bonds previously issued and delivered for cancellation, which the District may have acquired in any manner whatsoever, and such Refunding Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Registration, Transfer and Exchange of Bonds

If the book-entry system is discontinued, the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Refunding Bonds.

If the book-entry system is discontinued, the person in whose name a Refunding Bond is registered on the Bond Register shall be regarded as the absolute owner of that Refunding Bond. Payment of the principal of and interest on any Refunding Bond shall be made only to or upon the order of that person; neither the District, the County nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided in the Resolution.

Any Refunding Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Refunding Bond for cancellation at the Principal Office at the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The District may charge a reasonable sum for each new Refunding Bond issued upon any transfer.

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

Refunding Bonds may be exchanged at the Principal Office of the Paying Agent for a like aggregate principal amount of Refunding Bonds of authorized denominations and of the same maturity. The District may charge a reasonable sum for each new Refunding Bond issued upon any exchange (except in the case of any exchange of temporary Refunding Bonds for definitive Refunding Bonds).

THE REFUNDING PLAN

Series A Bonds. The Series A Bonds are currently outstanding in the aggregate principal amount of $9,135,000. A portion of the Series A Bonds, as identified below, will be called on August 1, 2012, at an optional redemption price equal to 101% of the outstanding par amount thereof, plus accrued interest. After the refunding, $195,000 of the Series A Bonds will remain outstanding, which amount is due August 1, 2012.

Series C Bonds. The Series C Bonds are currently outstanding in the aggregate principal amount of $12,980,000. A portion of the Series C Bonds, as identified below, will be called on on August 1, 2012, at an optional redemption price equal to 100% of the outstanding par amount thereof, plus accrued interest. After the refunding, $560,000 of the Series C Bonds will remain outstanding, which amount is due August 1, 2012.

2004 Refunding Bonds. The 2004 Refunding Bonds are currently outstanding in the aggregate principal amount of $7,345,000. A portion of the 2004 Refunding Bonds, as identified below, will be called on August 1, 2012, at an optional redemption price equal to 100% of the outstanding par amount thereof, plus accrued interest. After the refunding, $700,000 of the 2004 Refunding Bonds will remain outstanding, which amount is due August 1, 2012.

A summary of the Prior Bonds to be refunded is shown below:

Table No. 1
LIBERTY UNION HIGH SCHOOL DISTRICT
Identification of Prior Bonds to be Refunded

Series	Principal Amount Currently Outstanding	Maturities to be Refunded	Principal Amount to be Redeemed	Redemption Date	Redemption Price (% of Par Amount Redeemed)
Series A Bonds	$ 9,135,000	8/01/2029 and 8/01/2030	$8,940,000	8/01/2012	101%
Series C Bonds	12,980,000	8/01/13 through 8/01/2028	12,420,000	8/01/2012	100%
2004 Refunding Bonds	7,345,000	8/01/13 through 8/01/2020	6,645,000	8/01/2012	100%

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

The Escrow Bank shall invest moneys in the Escrow Fund in Federal Securities (as specified in the Escrow Agreement) such that the amount in such accounts, when combined with uninvested amounts therein, if any, will be sufficient to redeem the respective Prior Bonds to be refunded on the dates designated in the Escrow Agreement. All Federal Securities and cash equivalents shall be deposited with and held by the Escrow Bank in the Escrow Fund solely for the uses and purposes set forth in the Escrow Agreement. The Escrow Bank shall have no lien upon or right of set off against the Federal Securities and cash at any time on deposit in the Escrow Fund.

The amounts held by the Escrow Bank in the Escrow Fund are pledged solely to the payment of the Prior Bonds to be refunded. Neither the funds deposited in the Escrow Fund nor the interest on the invested funds will be available for the payment of debt service with respect to the Refunding Bonds.

After the refunding and defeasance of the Prior Bonds to be refunded, in addition to the Refunding Bonds the District will have $29,125,000 of outstanding general obligation bonds that are payable from *ad valorem* taxes on a parity basis with the Refunding Bonds. See "SECURITY FOR THE REFUNDING BONDS – Direct and Overlapping Debt" and "DEBT SERVICE SCHEDULES."

SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Principal Amount of Refunding Bonds	$26,220,000.00
Funds Available from Prior Bonds	615,925.01
Net Premium	2,535,867.90
Total Sources	29,371,792.91
Uses of Funds:	
Refunding of Prior Bonds	28,710,325.01
Total Costs of Issuance (1)	661,467.90
Total Uses	29,371,792.91

(1) Total Costs of Issuance include underwriter's discount, financial advisory fees, legal fees, printing costs and other miscellaneous expenses.

DEBT SERVICE SCHEDULES

The following table shows the debt service schedule with respect to the Refunding Bonds.

Period Ending (August 1)	Principal	Interest	Total Debt Service
2013	$1,185,000	1,116,790.97	$2,301,790.97
2014	1,265,000	1,034,312.50	2,299,312.50
2015	1,300,000	996,362.50	2,296,362.50
2016	1,350,000	957,362.50	2,307,362.50
2017	1,400,000	903,362.50	2,303,362.50
2018	1,460,000	847,362.50	2,307,362.50
2019	1,485,000	788,962.50	2,273,962.50
2020	1,555,000	729,562.50	2,284,562.50
2021	750,000	651,812.50	1,401,812.50
2022	785,000	614,312.50	1,399,312.50
2023	825,000	575,062.50	1,400,062.50
2024	865,000	533,812.50	1,398,812.50
2025	900,000	499,212.50	1,399,212.50
2026	930,000	472,212.50	1,402,212.50
2027	960,000	443,150.00	1,403,150.00
2028	2,925,000	411,950.00	3,336,950.00
2029	3,060,000	265,700.00	3,325,700.00
2030	3,220,000	112,700.00	3,332,700.00
Total	$26,220,000	$11,954,003.47	$38,174,003.47

The following table shows the remaining debt service due on all of the District's outstanding general obligation bonds (after the issuance of the Refunding Bonds).

Period Ending (Aug.1)	Election of 2001, Series A	2004 Refunding Bonds	Election of 2001, Series C	2011 Refunding Bonds	2012 Refunding Bonds	Total Debt Service
2012	$ 199,387.50	$711,812.50	$568,400.00	$ 1,789,225.00	-	$3,268,825.00
2013				1,974,225.00	2,301,790.97	$4,276,015.97
2014				1,975,225.00	2,299,312.50	$4,274,537.50
2015				1,975,975.00	2,296,362.50	$4,272,337.50
2016				1,981,100.00	2,307,362.50	$4,288,462.50
2017				2,000,350.00	2,303,362.50	$4,303,712.50
2018				1,998,100.00	2,307,362.50	$4,305,462.50
2019				1,984,950.00	2,273,962.50	$4,258,912.50
2020				1,981,200.00	2,284,562.50	$4,265,762.50
2021				2,985,000.00	1,401,812.50	$4,386,812.50
2022				2,986,800.00	1,399,312.50	$4,386,112.50
2023				2,987,050.00	1,400,062.50	$4,387,112.50
2024				2,985,650.00	1,398,812.50	$4,384,462.50
2025				2,985,450.00	1,399,212.50	$4,384,662.50
2026				2,986,250.00	1,402,212.50	$4,388,462.50
2027				2,986,075.00	1,403,150.00	$4,389,225.00
2028				1,006,012.50	3,336,950.00	$4,342,962.50
2029				-	3,325,700.00	$3,325,700.00
2030				-	3,332,700.00	$3,332,700.00
Total	$199,387.50	$711,812.50	$568,400.00	$39,568,637.50	$38,174,003.47	$79,222,240.97

Totals may not add due to rounding.

SECURITY FOR THE REFUNDING BONDS

General

The Board of Supervisors of the County has the power and is obligated to levy *ad valorem* taxes for the payment of the Refunding Bonds and the interest thereon upon all property within the District subject to taxation by the District without limitation as to rate or amount (except certain personal property which is taxable at limited rates). Such taxes are required to be levied annually, in addition to all other taxes, during the period that the Refunding Bonds are outstanding in an amount sufficient to pay the principal and interest on the Refunding Bonds when due. Such taxes, when collected, will be deposited into the Debt Service Fund for the Refunding Bonds, which is maintained by the County and which is created by statute for the payment of principal of and interest on the Refunding Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Refunding Bonds, and the County will maintain the Debt Service Fund pledged to the repayment of the Refunding Bonds, the Refunding Bonds are not a debt of the County.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal and interest on the Refunding Bonds as the same become due and payable, shall be transferred by the County to the Paying Agent which, in turn, shall pay such moneys to DTC to pay the principal and interest on the Refunding Bonds. DTC will thereupon make payments of principal and interest on the Refunding Bonds to the DTC Participants who will thereupon make payments of principal and interest to the beneficial owners of the Refunding Bonds. See "APPENDIX F – The Book-Entry System."

The amount of the annual *ad valorem* tax levied by the County to repay the Refunding 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 Refunding Bonds. A reduction in the assessed valuation of taxable property in the District caused by economic factors beyond the District's control, such as economic recession, slower growth, or decrease in land values, a relocation out of the District or change to tax-exempt status by one or more major property owners, or the complete or partial destruction of such property caused by, among other eventualities, an earthquake, flood or other natural disaster, could cause a reduction in the assessed value of the District and necessitate an unanticipated increase in the annual tax levy.

Ad Valorem Property Taxation

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and March 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Tax Collector/Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. The full value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area, or to reflect declines in property value caused by substantial damage, destruction or other factors, including assessment appeals filed by property owners. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" in Appendix B.

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

Property within the District has a total taxable assessed valuation for fiscal year 2011-12 of $10,895,556,004. Shown in the following table are the assessed valuations for the District from 2007-08 through the 2011-12 fiscal year.

Table No. 2
LIBERTY UNION HIGH SCHOOL DISTRICT
Assessed Valuation
Fiscal Year 2007-08 through Fiscal Year 2011-12

	Local Secured	Utility	Unsecured	Total
2007-08	$ 15,273,256,099	$ 919,820	$ 347,286,387	$15,621,462,306
2008-09	14,156,249,769	919,820	362,339,293	14,519,508,882
2009-10	11,507,021,448	919,820	355,101,829	11,863,043,097
2010-11	11,097,352,039	1,945,157	314,210,629	11,413,507,825
2011-12	10,583,882,863	1,787,993	309,885,148	10,895,556,004

Source: California Municipal Statistics, Inc.

The majority of the parcels in the District in terms of assessed valuation (84.8%) are used for residential purposes. The tables below show land use in the District, by assessed valuation, and the per parcel valuation of single family homes in the District, during fiscal year 2011-12.

Table No. 3
LIBERTY UNION HIGH 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/Rural	$ 319,063,605	3.01%	701	1.72%
Commercial	886,951,291	8.38	630	1.55
Vacant Commercial	123,539,912	1.17	200	0.49
Industrial	130,259,190	1.23	70	0.17
Vacant Industrial	3,993,346	0.04	22	0.05
Recreational	54,743,909	0.52	74	0.18
Government/Social/Institutional	55,001,641	0.52	199	0.49
Miscellaneous	35,213,259	0.33	461	1.13
Subtotal Non-Residential	$1,608,766,153	15.20%	2,357	5.79%
Residential:				
Single Family Residence	$8,219,842,907	77.66%	32,262	79.20%
Condominium/Townhouse	180,229,693	1.70	709	1.74
Rural Residential	152,953,299	1.45	302	0.74
Mobile Home	12,797,551	0.12	440	1.08
2-4 Residential Units	94,245,789	0.89	290	0.71
5+ Residential Units/Apartments	77,231,016	0.73	28	0.07
Miscellaneous Residential	30,302,139	0.29	257	0.63
Vacant Residential	207,514,316	1.96	4,090	10.04
Subtotal Residential	$8,975,116,710	84.80%	38,378	94.21%
Total	$10,583,882,863	100.00%	40,735	100.00%

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

Table No. 4
LIBERTY UNION HIGH SCHOOL DISTRICT
Average Per Parcel 2011-12 Assessed Valuation of Single Family Homes(1)

	No. of Parcels	2011-12 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	32,262	$8,219,842,907	$254,784	$248,840

2011-12 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	81	0.251%	0.251%	$ 1,596,798	0.019%	0.019%
$25,000 - $49,999	880	2.728	2.979	32,572,568	0.396	0.416
$50,000 - $74,999	449	1.392	4.370	27,975,280	0.340	0.756
$75,000 - $99,999	585	1.813	6.184	51,651,643	0.628	1.384
$100,000 - $124,999	837	2.594	8.778	94,689,946	1.152	2.536
$125,000 - $149,999	2,402	7.445	16.223	333,433,136	4.056	6.593
$150,000 - $174,999	2,490	7.718	23.941	402,875,127	4.901	11.494
$175,000 - $199,999	2,606	8.078	32.019	485,795,863	5.910	17.404
$200,000 - $224,999	2,672	8.282	40.301	567,731,800	6.907	24.311
$225,000 - $249,999	3,228	10.006	50.307	763,214,175	9.285	33.596
$250,000 - $274,999	3,261	10.108	60.415	854,910,795	10.401	43.997
$275,000 - $299,999	2,926	9.069	69.484	838,514,646	10.201	54.198
$300,000 - $324,999	2,607	8.081	77.565	812,683,172	9.887	64.084
$325,000 - $349,999	1,828	5.666	83.231	614,308,579	7.473	71.558
$350,000 - $374,999	1,449	4.491	87.722	522,614,620	6.358	77.916
$375,000 - $399,999	990	3.069	90.791	381,871,204	4.646	82.562
$400,000 - $424,999	816	2.529	93.320	335,602,019	4.083	86.644
$425,000 - $449,999	685	2.123	95.444	298,101,887	3.627	90.271
$450,000 - $474,999	379	1.175	96.618	174,443,613	2.122	92.393
$475,000 - $499,999	232	0.719	97.337	112,906,909	1.374	93.767
$500,000 and greater	859	2.663	100.000	512,349,127	6.233	100.000
Total	32,262	100.000%		$8,219,842,907	100.000%	

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

Appeals of Assessed Value

General. 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.

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.

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.

No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

Alternative Method of Tax Apportionment - "Teeter Plan"

The Board of Supervisors of the County 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 State Revenue and Taxation Code. Pursuant to the Teeter Plan, the County establishes a tax losses reserve fund and a tax resources account and each entity levying property taxes in the County may draw on the amount of uncollected taxes and assessments credited to its fund, in the same manner as if the amount credited had been collected.

The County is responsible for determining the amount of the tax levy on each parcel in the taxing entity, which is entered onto the secured real property tax roll. Upon completion of the secured real property tax roll, the County's Auditor-Controller determines the total amount of taxes and assessments actually extended on the roll for each fund for which a tax levy has been included, and apportions 100% of the tax and assessment levies to that fund's credit. Such moneys may thereafter be drawn against by the taxing agency in the same manner as if the amount credited had been collected.

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 could under certain circumstances terminate the Teeter Plan in its entirety and, in addition, the Board of Supervisors could terminate the Teeter Plan 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.

Although the County is entitled to draw on the full amount of taxes credited to the tax fund for a taxing entity in approximately October of each tax year, it has been the District's experience that it receives approximately 50% of the tax allocations for the year by December 31, an additional 45% by April 30 and the final 5% by June 30.

Historical secured tax levy collections and delinquencies in the District are summarized in the following table.

Table No. 5
LIBERTY UNION HIGH SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2006-07 through 2010-11

	Secured Tax Charge	Amt. Del. June 30	% Del. June 30
2006-07	$ 4,372,795	$ 254,163	5.81%
2007-08	4,181,206	345,264	8.26
2008-09	4,000,168	267,173	6.68
2009-10	4,225,725	184,195	4.36
2010-11	4,235,632	110,517	2.61

(1) Bond debt service levy only
Source: California Municipal Statistics, Inc.

Largest Secured Property Taxpayers in District

The following table shows the 20 largest secured property taxpayers in the District as determined by secured assessed valuation in fiscal year 2011-12.

Table No. 6
LIBERTY UNION HIGH SCHOOL DISTRICT
Largest Secured Taxpayers
Fiscal Year 2011-12

	Property Owner	Primary Land Use	2011-12 Assessed Valuation	% of Total (1)
1.	Brentwood Specialty Center LLC	Shopping Center	$110,110,635	1.04%
2.	Sand Creek Crossing LLC	Shopping Center	38,902,800	0.37
3.	John Muir & Mt. Diablo Health	Medical Buildings	36,744,748	0.35
4.	Trilogy Vineyards LLC	Residential Development	36,210,398	0.34
5.	New Urban Comm & Sciortino LLC	Commercial	33,157,359	0.31
6.	DS Lone Tree Plaza LLC	Shopping Center	32,284,463	0.31
7.	Discovery Builders Inc.	Residential Development	28,699,881	0.27
8.	Pacific & Bowie-Tracy II	Shopping Center	24,745,566	0.23
9.	Camden Village LLC	Shopping Center	23,654,000	0.22
10.	Neroly Sports Club Investors	Recreational	23,505,644	0.22
11.	ESC Skeptner LLC & Norcal LLC	Shopping Center	21,835,200	0.21
12.	Brentwood Arbor Ridge LP	Apartments	21,150,747	0.20
13.	AFE Brentwood Park LLC	Assisted Living	19,000,000	0.18
14.	Roddy Ranch PBC LLC	Golf Course	17,951,940	0.17
15.	Target Corporation	Shopping Center	17,594,102	0.17
16.	HPH Properties LP	Industrial	17,212,747	0.16
17.	DS Founders LLC	Commercial	17,209,690	0.16
18.	JC Penny Corporation Inc.	Shopping Center	17,153,043	0.16
19.	Brentwood Assisted Living LLC	Assisted Living	17,000,000	0.16
20.	Deer Creek Partnership	Apartments	16,745,276	0.16
			$570,868,239	5.39%

(1) 2011-12 Local Secured Assessed Valuation: $10,583,882,863.
Source: California Municipal Statistics, Inc.

Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and dated June 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.

Table No. 7
LIBERTY UNION HIGH SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of June 1, 2012

2011-12 Assessed Valuation:	$10,895,556,004
Redevelopment Incremental Valuation:	724,726,169
Adjusted Assessed Valuation:	$10,170,829,835

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/1/12	
Bay Area Rapid Transit District	2.332%	$ 9,620,433	
Contra Costa Community College District	8.171	18,301,814	
Liberty Union High School District	**100.**	**57,130,000**	(1)
Brentwood Union School District	100.	51,424,704	
Byron Union School District	100.	15,777,193	
Oakley Union School District	100.	22,185,000	
City of Brentwood	100.	4,754,977	
East Bay Regional Park District	3.623	4,692,691	
City of Brentwood 1915 Act Bonds	100.	160,350,768	
City of Oakley 1915 Act Bonds	100.	24,420,000	
California Statewide Communities Development Authority Assessment Districts	100	9,290,931	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$377,948,511	
OVERLAPPING GENERAL FUND DEBT:			
Contra Costa County General Fund Obligation	8.134%	$ 24,539,544	
Contra Costa County Pension Obligations	8.134	29,159,983	
Contra Costa Community College District Certificates of Participation	8.171	69,862	
Brentwood Union School District Certificates of Participation	100.	2,618,592	
City of Antioch Certificates of Participation	4.746	1,329,117	
City of Brentwood Certificates of Participation	100.	63,045,000	
City of Oakley Certificates of Participation	83.462	6,217,919	
Byron-Bethany Irrigation District General Fund Obligations	20.148	1,070,866	
Contra Costa Fire Protection District Pension Obligations	0.494	551,279	
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$128,602,162	
Less: Contra Costa County supported obligations		9,213,203	
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$119,388,959	
GROSS COMBINED TOTAL DEBT		$506,550,673	(2)
NET COMBINED TOTAL DEBT		$497,337,470	

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuation:
Direct Debt ($57,130,000) **0.52%**
Total Direct and Overlapping Tax and Assessment Debt 3.47%

Ratios to Adjusted Assessed Valuation:
Gross Combined Total Debt 4.98%
Net Combined Total Debt 4.89%

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

Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Refunding Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Refunding Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Refunding Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Refunding Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount is disregarded.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Refunding Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Refunding Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Refunding Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Refunding Bonds who purchase the Refunding Bonds after the initial offering of a substantial amount of such maturity. Owners of such Refunding Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Refunding Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Refunding Bonds under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the Refunding Bond (said term being the shorter of the Refunding Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Refunding Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Refunding Bond is amortized each year over the term to maturity of the Refunding Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of Premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Refunding Bonds.

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

Owners of the Refunding Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Refunding Bonds other than as expressly described above.

CERTAIN LEGAL MATTERS

Continuing Disclosure

The District will covenant for the benefit of owners of the Refunding Bonds to provide certain financial information and operating data relating to the District by not later than nine months after the end of the District's fiscal year (which date would be the March 31 following the current end of the District's fiscal year on June 30), commencing with the report for the 2011-12 fiscal year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events, if material. The specific nature of the information to be contained in the Annual Report or the notices of material 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**").

With respect to previous continuing disclosure obligations under the Rule relating to the Prior Bonds, the District has never failed to make any annual filings. Prior bonds issued by the District include bonds insured by Financial Guaranty Insurance Corporation, Municipal Bond Insurance Corporation, and Financial Security Assurance, bond insurance companies that experienced multiple rating agency downgrades in 2008 and 2009, which in turn caused corresponding downgrades of the insured bonds. The District filed "material event" notices disclosing the rating changes, however the filings were made from approximately 2 months up to approximately 6 months after the date of the downgrades; as such the filings may not be considered to have been filed in a "timely manner" as required by the Rule. The District currently has systems in place to ensure prompt future compliance with the Rule.

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Refunding Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Refunding Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive *ad valorem* taxes or to collect other revenues or (iii) contests the District's ability to issue and retire the Refunding Bonds.

UNDERWRITING

The Refunding Bonds are being purchased by Robert W. Baird & Co., Inc. (the "**Underwriter**"). The Underwriter has agreed to purchase the Refunding Bonds at a price of $28,262,459.94 which is equal to the initial principal amount of the Refunding Bonds plus original issue premium of $2,535,867.90 less Underwriter's discount of $493,407.96. The Underwriter will purchase all of the Refunding Bonds (if any are purchased), and that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

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

RATING

Moody's Investors Services ("Moody's") has assigned a rating of "Aa2" to the Refunding Bonds. Moody's also provides auxiliary signals about credit risk through the use of rating outlooks and watchlist designations, and has assigned a "negative outlook" to the District, meaning there is a risk of a downgrade in the medium term. Such rating and auxiliary signal reflect only the view of Moody's and any desired explanation of the significance of such should be obtained from Moody's, at the following address: Moody's Investors Services, 99 Church Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any credit rating given to the Refunding Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Refunding Bonds.

VERIFICATION REPORT

Causey, Demgen & Moore, Denver, Colorado will verify from the information provided to them the mathematical accuracy as of the date of the initial delivery of the Refunding Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the underwriter's schedules, to be held in the Escrow Fund for the bonds to be refunded will be sufficient to pay, when due, the principal, interest and call premium payment requirements, if any, of the respective bonds to be refunded, and (2) the computations of yield on both the Federal Securities and the bonds to be refunded contained in the provided schedules used by Bond Counsel in its determination that the interest on the bonds to be refunded is exempt from federal income taxation. Causey, Demgen & Moore will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Refunding Bonds.

PROFESSIONALS INVOLVED IN THE OFFERING

The following professionals have performed professional services in connection with the issuance of the Refunding Bonds: KNN Public Finance, A Division of Zions First National Bank, Oakland, California has acted as financial advisor to the District; and Jones Hall, A Professional Law Corporation, San Francisco, California, has served as Bond Counsel and Disclosure Counsel to the District. The fees of these professionals will be paid contingent on the issuance of the Refunding Bonds.

ADDITIONAL INFORMATION

The references herein to the Resolution and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to said documents. Copies of the documents mentioned under this heading are available from the District.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available from upon written request to the District. The District may impose a charge for copying, mailing and handling.

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

The execution and delivery of this Official Statement have been duly authorized by the District.

LIBERTY UNION HIGH SCHOOL DISTRICT

By: /s/ Eric Volta
Superintendent

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

LIBERTY UNION HIGH SCHOOL DISTRICT

JUNE 30, 2011

TABLE OF CONTENTS

TABLE OF CONTENTS (CONTINUED)

TABLE OF CONTENTS (CONCLUDED)

[THIS PAGE INTENTIONALLY LEFT BLANK]

FINANCIAL SECTION

[THIS PAGE INTENTIONALLY LEFT BLANK]

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Liberty Union High School District
Brentwood, California

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Liberty Union High School District, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011, on our consideration of the Liberty Union High School District's internal control over financial reporting and on our tests of the District's 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 on pages 3 through 13, the budgetary comparison information on page 51, and the schedule of funding progress on page 54 are not required parts 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.

P.O. Box 2196 / Folsom, CA 95763 / Phone (916) 966-3883 / Fax (916) 966-3815

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 5, 2011

(PREPARED BY DISTRICT MANAGEMENT)

This section of the Liberty Union High School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 and 2, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities, presented on pages 14 through 15, 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 and business-type activities, presented on pages 16 through 22, 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 statements provide information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

Governmental Activities:

- The District's overall financial status improved during the course of the year, as total net assets increased 3.6%.
- Capital assets, net of depreciation, increased $2,454,992, due to the current year addition of $7,932,223 of new capital assets, and the current year recognition of $5,477,231 of depreciation expense.
- Total long-term liabilities increased $5,981,533, due primarily to the current year addition of a $6,020,000 capital lease that was entered into to finance a portion of the replacement facility for La Paloma High School.
- On April 5, 2011, the District issued $28.96 million of general obligation refunding bonds for purposes of refunding a portion of the District's outstanding bonds with a principal balance of $27,082,238, and to pay costs of issuance related to the new bonds. The refunding bonds were issued to lower the debt service requirements of the District and reduce the tax burden on the property owners within the District. As a result of issuing the refunding bonds, the District recognized present value cost savings of $2,169,006.
- The District's non-adult P-2 average daily attendance (ADA), increased from 6,801 ADA in fiscal year 2009-10, up to 6,986 ADA in fiscal year 2010-11, an increase of 2.7%.

Governmental Funds:

- The District's General Fund produced an operating surplus of $2,081,093, and recognized a $2,013,174 increase in available reserves.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of total General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2010-11, General Fund total outgo was $52,078,254. At June 30, 2011, the District had available reserves of $5,001,883, which represents an available reserve of 9.6%.

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT

The full 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, Governmental-wide and funds.

- Governmental-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 District acts as an agent or trustee for the benefit of others to whom the resources 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 Governmental-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 the 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 health of the District.

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities:

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

Governmental Activities:

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

Business-type Activities:

These activities are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's Transportation Consortium operations are reported as business activities.

Reporting the District's Most Significant Funds

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law, while other funds have been established to control and manage money for specific purposes.

Governmental Funds:

The major governmental funds of the Liberty Union High School District are the General Fund, Bond Interest and Redemption Fund, and County School Facilities 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:

Proprietary funds are activities that a District operates similar to a business, in that it attempts to recover costs through charges to the user. Proprietary funds include internal service funds and enterprise funds, and are accounted for on the full accrual basis. Internal service funds account for goods or services that are provided to other funds in return for a fee to cover the cost of operations. The District has no funds of this type. Enterprise funds are used to account for any activity or service that charges a fee to external users to cover the cost of operations. The District has one fund of this type, the Transportation Consortium Fund.

Fiduciary Funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Governmental Activities:

The District's net assets increased from $110,861,126 at June 30, 2010, up to $114,905,218 at June 30, 2011, an increase of 3.6%.

Business Activities:

The District's net assets decreased from $1,474,743 at June 30, 2010, down to $1,298,255 at June 30, 2011, a decrease of 12%.

Comparative Statement of Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2010	2011	2010	2011	2010	2011
Assets:						
Deposits and Investments	$ 3,072,230	$ 10,520,373	$ 23,981	$ 14,034	$ 3,096,211	$ 10,534,407
Receivables	9,469,520	9,828,132	231,706	234,150	9,701,226	10,062,282
Stores Inventory	9,446	7,623			9,446	7,623
Prepaid Expenses	389,399	2,660,832			389,399	2,660,832
Capital Assets, net	167,226,876	169,681,868	1,263,940	1,087,304	168,490,816	170,769,172
Total Assets	180,167,471	192,698,828	1,519,627	1,335,488	181,687,098	194,034,316
Liabilities:						
Current	5,531,871	7,986,045	44,884	37,233	5,576,755	8,023,278
Long-Term *	63,774,474	69,807,565			63,774,474	69,807,565
Total Liabilities	69,306,345	77,793,610	44,884	37,233	69,351,229	77,830,843
Net Assets:						
Invested in Capital Assets - Net of Related Debt	106,092,339	99,749,260	1,236,940	1,087,304	107,329,279	100,836,564
Restricted	2,588,315	9,690,401	237,803	210,951	2,826,118	9,901,352
Unrestricted *	2,180,472	5,465,557			2,180,472	5,465,557
Total Net Assets	$ 110,861,126	$ 114,905,218	$ 1,474,743	$ 1,298,255	$ 112,335,869	$ 116,203,473

Table includes financial data of the combined governmental funds and proprietary fund

* *Prior year balances have been adjusted to reflect the restatement discussed at Note 18 in these financial statements.*

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONCLUDED)

Governmental Activities:

The District's total current year revenues exceeded total current year expenses by $4,044,092.

Business-Type Activities:

The District's total current year expenses exceeded total current year revenues by $176,488.

Comparative Statement of Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2010	2011	2010	2011	2010	2011
Program Revenues:						
Charges for Services	$ 1,614,271	$ 1,464,949	$ 2,559,773	$ 2,683,335	$ 4,174,044	$ 4,148,284
Operating Grants & Contributions	8,618,836	6,942,967			8,618,836	6,942,967
Capital Grants & Contributions	7,845	4,822,209				4,822,209
General Revenues:						
Taxes Levied	24,241,713	24,206,115			24,241,713	24,206,115
Federal & State Aid	24,269,695	27,770,256			24,269,695	27,770,256
Interest & Investment Earnings	8,765	22,921	829	149	9,594	23,070
Miscellaneous	1,859,728	1,412,593			1,859,728	1,412,593
Transfers from Other Agencies	269,450	273,014				273,014
Total Revenues	60,890,303	66,915,024	$ 2,560,602	2,683,484	63,173,610	69,598,508
Expenses:						
Instruction *	36,459,071	36,619,758			36,459,071	36,619,758
Instruction-Related Services	9,045,542	8,644,345			9,045,542	8,644,345
Pupil Services	4,810,886	4,472,234			4,810,886	4,472,234
General Administration	3,326,817	2,776,963			3,326,817	2,776,963
Plant Services	6,974,597	7,150,868			6,974,597	7,150,868
Community Services	500	0			500	0
Enterprise Activities			2,746,885	2,859,972	2,746,885	2,859,972
Interest on Long-Term Debt	3,060,285	3,131,909			3,060,285	3,131,909
Other Outgo	23,037	74,855			23,037	74,855
Total Expenses *	63,700,735	62,870,932	2,746,885	2,859,972	66,447,620	65,730,904
Changes in Net Assets *	$ (2,810,432)	$ 4,044,092	$ (186,283)	$ (176,488)	$ (2,996,715)	$ 3,867,604

Table includes financial data of the combined governmental funds and proprietary fund

* *Prior year balances have been adjusted to reflect the restatement discussed at Note 18 in these financial statements.*

FINANCIAL ANALYSIS OF THE GOVERNMENTAL ACTIVITIES

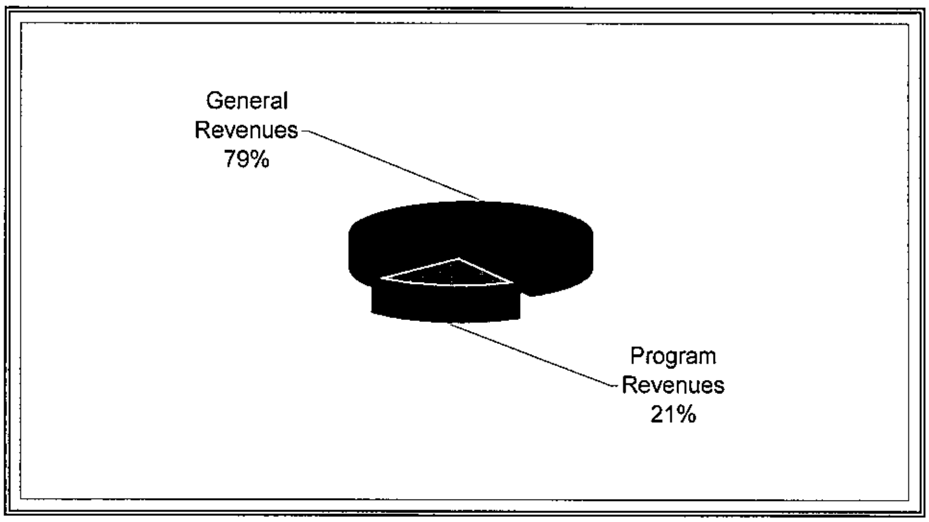
Comparative Schedule of Costs of Services

	Total Cost of Services		Net Cost of Services	
	2010	2011	2010	2011
Instruction *	$ 36,459,071	$ 36,619,758	$ 29,702,777	$ 26,611,392
Instruction-Related Services	9,045,542	8,644,345	8,441,293	8,012,342
Pupil Services	4,810,886	4,472,234	2,308,687	2,495,470
General Administration	3,326,817	2,776,963	3,194,627	2,667,619
Plant Services	6,974,597	7,150,868	6,774,820	6,648,616
Community Services	500	0	500	0
Interest on Long-Term Debt	3,060,285	3,131,909	3,060,285	3,131,909
Other Outgo	23,037	74,855	18,952	73,459
Totals *	$ 63,700,735	$ 62,870,932	$ 53,501,941	$ 49,640,807

Table includes financial data of the combined governmental funds

* *Prior year balances have been adjusted to reflect the restatement discussed at Note 18 in these financial statements.*

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The $49,640,807 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



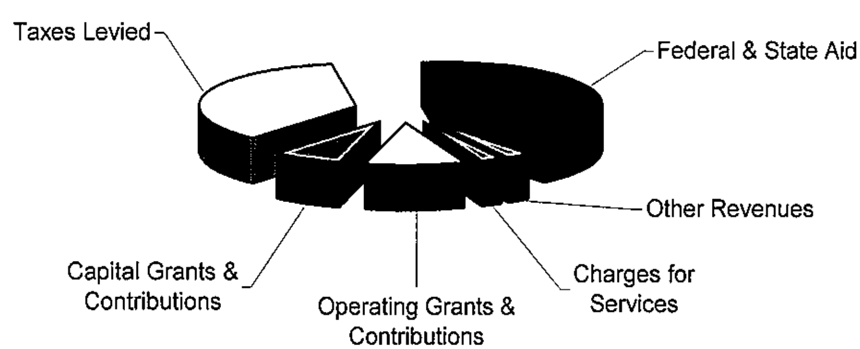
Program revenues financed 21% of the total cost of providing the services listed above, while the remaining 79% was financed by the general revenues of the District.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Revenues For Governmental Functions

	FYE 2010 Amount	Percent of Total	FYE 2011 Amount	Percent of Total
Program Revenues				
Charges for Services	$ 1,614,271	2.65%	$ 1,464,949	2.19%
Operating Grants & Contributions	8,618,836	14.15%	6,942,967	10.38%
Capital Grants & Contributions	7,845	0.01%	4,822,209	7.21%
General Revenues				
Taxes Levied	24,241,713	39.81%	24,206,115	36.17%
Federal & State Aid	24,269,695	39.86%	27,770,256	41.50%
Other Revenues	2,137,943	3.51%	1,708,528	2.55%
Total Revenues	$ 60,890,303	100.00%	$ 66,915,024	100.00%

Table includes financial data of the combined governmental funds



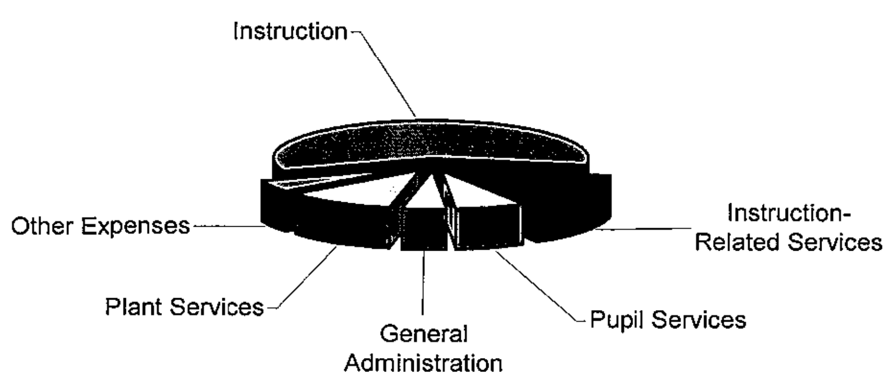
FINANCIAL ANALYSIS OF THE GOVERNMENTAL ACTIVITIES (CONCLUDED)

Schedule of Expenses For Governmental Functions

	FYE 2010 Amount	Percent of Total	FYE 2011 Amount	Percent of Total
Expenses				
Instruction *	$ 36,459,071	57.23%	$ 36,619,758	58.25%
Instruction-Related Services	9,045,542	14.20%	8,644,345	13.75%
Pupil Services	4,810,886	7.55%	4,472,234	7.11%
General Administration	3,326,817	5.22%	2,776,963	4.42%
Plant Services	6,974,597	10.95%	7,150,868	11.37%
Other Expenses	3,083,822	4.84%	3,206,764	5.10%
Total Expenses *	$ 63,700,735	100.00%	$ 62,870,932	100.00%

Table includes financial data of the combined governmental funds

* *Prior year balances have been adjusted to reflect the restatement discussed at Note 18 in these financial statements.*



FINANCIAL ANALYSIS OF THE CAPITAL ASSETS & LONG-TERM LIABILITIES

Governmental Activities:

Comparative Schedule of Capital Assets

	2010	2011
Land	$ 14,843,150	$ 16,114,863
Sites & Improvements	17,481,230	17,831,390
Buildings & Improvements	160,848,927	163,062,653
Furniture & Equipment	1,450,948	1,450,948
Work-in-Progress	9,669,400	13,766,024
Totals at Historical Cost	204,293,655	212,225,878
Less: Accumulated Depreciation	(37,066,779)	(42,544,010)
Capital Assets, net	$ 167,226,876	$ 169,681,868

Capital assets, net of depreciation, increased $2,454,992, due to the current year addition of $7,932,223 of new capital assets, and the current year recognition of $5,477,231 of depreciation expense.

Comparative Schedule of Long-Term Liabilities

	2010	2011
Compensated Absences	$ 174,880	$ 183,015
General Obligation Bonds	59,997,008	59,830,000
Capital Leases	5,801,277	11,273,483
Other Post Employment Benefits *	1,088,357	1,756,557
Totals *	$ 67,061,522	$ 73,043,055

* Prior year balances have been adjusted to reflect the restatement discussed at Note 18 in these financial statements.

Total long-term liabilities increased $5,981,533, due primarily to the current year addition of a $6,020,000 capital lease that was entered into to finance a portion of the replacement facility for La Paloma High School.

The general obligation bonds are financed by the local taxpayers and represent 82% of the District's total long-term liabilities.

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to the future debt service requirements of each long-term obligation.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Comparative Schedule of Fund Balances

	Fund Balances June 30, 2010	Fund Balances June 30, 2011	Increase (Decrease)
General	$ 5,353,435	$ 7,434,528	$ 2,081,093
Bond Interest & Redemption	3,602,947	3,720,595	117,648
County School Facilities	1,234,127	4,769,270	3,535,143
Deferred Maintenance	243,810	413,335	169,525
Cafeteria	116,541	105,785	(10,756)
Adult Education	446,390	591,949	145,559
Capital Facilities	244,124	60,068	(184,056)
Totals	$ 11,241,374	$ 17,095,530	$ 5,854,156

The fund balance of the General Fund increased $2,081,093, while the combined fund balances of all other District governmental funds increased $3,773,063.

GENERAL FUND BUDGETARY HIGHLIGHTS

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, is based on May Revise figures and updated 45 days after the State approves its final budget. Over the course of the year, the District revised the annual operating budget on numerous occasions. The significant budget adjustments fell into the following categories:

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

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California. The District's fiscal year 2011-12 budget includes a projected increase of 143 ADA.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE (CONCLUDED)

Due to the unprecedented nature of the current State and Federal fiscal crisis, the amount of funding that will be available to the District remains uncertain. As a result, management will need to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Business Manager, Liberty Union High School District, 20 Oak Street, Brentwood, CA 94513.

LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Totals
Assets			
Deposits and Investments (Note 2)	$ 10,520,373	$ 14,034	$ 10,534,407
Receivables (Note 4)	9,828,132	234,150	10,062,282
Stores Inventory (Note 1K)	7,623		7,623
Prepaid Expenses (Note 1K)	2,660,832		2,660,832
Capital Assets: (Note 6)			
Land	16,114,863		16,114,863
Sites and Improvements	17,831,390		17,831,390
Buildings and Improvements	163,062,653	521,548	163,584,201
Furniture and Equipment	1,450,948	3,287,087	4,738,035
Work-in-Progress	13,766,024		13,766,024
Less: Accumulated Depreciation	(42,544,010)	(2,721,331)	(45,265,341)
Total Assets	192,698,828	1,335,488	194,034,316
Liabilities			
Accounts Payable and Other Current Liabilities	3,165,063	37,233	3,202,296
Deferred Revenue (Note 1K)	1,585,492		1,585,492
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Compensated Absences (Note 1K)	183,015		183,015
General Obligation Bonds			
Current Interest	2,700,000		2,700,000
Capital Leases	352,475		352,475
Portion Due or Payable After One Year:			
General Obligation Bonds (Note 7)			
Current Interest	57,130,000		57,130,000
Capital Leases (Note 8)	10,921,008		10,921,008
Other Post Employment Benefits (Note 9)	1,756,557		1,756,557
Total Liabilities	77,793,610	37,233	77,830,843
Net Assets			
Investment in Capital Assets, Net of Related Debt	99,749,260	1,087,304	100,836,564
Restricted:			
For Capital Projects	4,829,338		4,829,338
For Debt Service	3,720,595		3,720,595
For Educational Programs	1,122,645		1,122,645
For Other Purposes	17,823	210,951	228,774
Unrestricted	5,465,557		5,465,557
Total Net Assets	$ 114,905,218	$ 1,298,255	$ 116,203,473

LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Totals
Governmental Activities							
Instruction	$ 36,619,758	$ 298,978	$ 4,887,179	$ 4,822,209	$ (26,611,392)		$ (26,611,392)
Instruction-Related Services:							
Supervision of Instruction	965,617		197,818		(767,799)		(767,799)
Instructional Library and Technology	565,604				(565,604)		(565,604)
School Site Administration	7,113,124		434,185		(6,678,939)		(6,678,939)
Pupil Services:							
Home-to-School Transportation	1,046,968	64,314	255,461		(727,193)		(727,193)
Food Services	1,246,109	794,448	294,821		(156,840)		(156,840)
Other Pupil Services	2,179,157		567,720		(1,611,437)		(1,611,437)
General Administration:							
Data Processing Services	57,493				(57,493)		(57,493)
Other General Administration	2,719,470	7,099	102,245		(2,610,126)		(2,610,126)
Plant Services	7,150,868	298,913	203,339		(6,648,616)		(6,648,616)
Interest on Long-Term Debt	3,131,909				(3,131,909)		(3,131,909)
Other Outgo	74,855	1,197	199		(73,459)		(73,459)
Total Governmental Activities	62,870,932	1,464,949	6,942,967	4,822,209	(49,640,807)		(49,640,807)
Business-Type Activities							
Enterprise Activities	$ 2,859,972	$ 2,683,335				$ (176,637)	(176,637)
Totals	$ 65,730,904	$ 4,148,284	$ 6,942,967	$ 4,822,209	(49,640,807)	(176,637)	(49,817,444)
General Revenues							
Taxes Levied for General Purposes					19,204,434		19,204,434
Taxes Levied for Debt Service					4,730,970		4,730,970
Taxes Levied for Specific Purposes					270,711		270,711
Federal and State Aid - Unrestricted					27,770,256		27,770,256
Interest and Investment Earnings					22,921	149	23,070
Transfers from Other Agencies					273,014		273,014
Miscellaneous					1,412,593		1,412,593
Total General Revenues					53,684,899	149	53,685,048
Change in Net Assets					4,044,092	(176,488)	3,867,604
Net Assets - July 1, 2010 (As Restated - Note 18)					110,861,126	1,474,743	112,335,869
Net Assets - June 30, 2011					$ 114,905,218	$ 1,298,255	$ 116,203,473

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Bond Interest and Redemption	County School Facilities	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and Investments (Note 2)	$ (248,424)	$ 3,720,595	$ 6,220,644	$ 827,558	$ 10,520,373
Receivables (Note 4)	9,699,121			129,011	9,828,132
Due from Other Funds (Note 5)				300,000	300,000
Stores Inventory (Note 1K)				7,623	7,623
Total Assets	$ 9,450,697	$ 3,720,595	$ 6,220,644	$ 1,264,192	$ 20,656,128
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	$ 688,773		$ 1,451,374	$ 93,055	$ 2,233,202
Due to Other Funds (Note 5)	300,000				300,000
Deferred Revenue (Note 1K)	1,027,396				1,027,396
Total Liabilities	2,016,169		1,451,374	93,055	3,560,598
Fund Balances: (Note 11)					
Nonspendable	10,000			7,823	17,823
Restricted	1,122,645	$ 3,720,595	4,769,270	60,068	9,672,578
Assigned	1,300,000			1,103,246	2,403,246
Unassigned	5,001,883				5,001,883
Total Fund Balances	7,434,528	3,720,595	4,769,270	1,171,137	17,095,530
Total Liabilities and Fund Balances	$ 9,450,697	$ 3,720,595	$ 6,220,644	$ 1,264,192	$ 20,656,128

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total Fund Balances - Governmental Funds		$ 17,095,530
Amounts reported for governmental activities in the statement of net assets are different due to the following:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The amount that capital assets exceeded accumulated depreciation was:		
Capital Assets	$ 212,225,878	
Accumulated Depreciation	(42,544,010)	
		169,681,868
Unamortized costs: In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issuance costs are amortized over the life of the debt. Unamortized debt issue costs, reported as prepaid expenses at year-end consist of:		
Prepaid Expense - Discount	62,194	
Prepaid Expense - Costs of Issuance	751,901	
Prepaid Expense - Refunding	1,846,737	
		2,660,832
Unamortized premiums: In governmental funds, bond premiums are recognized as revenues in the period they are received. In the government-wide statements, premiums are amortized over the life of the debt. Unamortized premiums at year-end consist of:		
Deferred Revenue - Bond Premiums		(558,096)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end was:		
Compensated Absences	183,015	
General Obligation Bonds	59,830,000	
Capital Leases	11,273,483	
Other Post Employment Benefits	1,756,557	
		(73,043,055)
In governmental funds, the unmatured interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statements of activities, it is recognized in the period that it is incurred. The liability for unmatured interest owed at the end of the period was:		
		(931,861)
Total Net Assets - Governmental Activities		$ 114,905,218

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General	Bond Interest and Redemption	County School Facilities	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Revenue Limit Sources:					
State Apportionment	$ 23,143,690				$ 23,143,690
Local Taxes	19,204,435				19,204,435
Total Revenue Limit Sources	42,348,125				42,348,125
Federal Revenue	2,920,889			$ 391,934	3,312,823
State Revenue	4,731,896	$ 57,277	$ 4,802,750	996,795	10,588,718
Local Revenue	4,158,437	4,680,775	101,646	1,724,500	10,665,358
Total Revenues	54,159,347	4,738,052	4,904,396	3,113,229	66,915,024
Expenditures					
Instruction	32,068,535			521,293	32,589,828
Supervision of Instruction	876,972				876,972
Instructional Library and Technology	513,681				513,681
School Site Administration	6,096,034			364,098	6,460,132
Home-To-School Transportation	950,855				950,855
Food Services				1,131,715	1,131,715
Other Pupil Services	1,979,108				1,979,108
Data Processing Services	52,215				52,215
Other General Administration	2,421,685			40,000	2,461,685
Plant Services	5,882,256		82,210	522,798	6,487,264
Facilities Acquisition and Construction	376,186		7,161,036	402,148	7,939,370
Debt Service:					
Principal Retirement	339,824	29,757,238		207,970	30,305,032
Interest and Issuance Costs	236,695	4,366,963	146,007	85,119	4,834,784
Other Outgo	2,024				2,024
Total Expenditures	51,796,070	34,124,201	7,389,253	3,275,141	96,584,665
Excess of Revenues Over (Under) Expenditures	2,363,277	(29,386,149)	(2,484,857)	(161,912)	(29,669,641)
Other Financing Sources (Uses)					
Operating Transfers In				282,184	282,184
Operating Transfers Out	(282,184)				(282,184)
Other Sources		29,503,797	6,020,000		35,523,797
Total Other Financing Sources (Uses)	(282,184)	29,503,797	6,020,000	282,184	35,523,797
Net Change in Fund Balances	2,081,093	117,648	3,535,143	120,272	5,854,156
Fund Balances - July 1, 2010	5,353,435	3,602,947	1,234,127	1,050,865	11,241,374
Fund Balances - June 30, 2011	$ 7,434,528	$ 3,720,595	$ 4,769,270	$ 1,171,137	$ 17,095,530

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH 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

Net Change in Fund Balances - Governmental Funds		$ 5,854,156
Amounts reported for governmental activities in the statement of activities are different due to the following:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeded depreciation expense during the fiscal year:		
Capital Outlays	$ 7,932,223	
Depreciation Expense	(5,477,231)	
		2,454,992
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:		(34,980,000)
Bond discount, bond refunding, and, debt issue costs are recognized as expenditures in the period they are incurred in governmental funds. In the government-wide statements, these costs are amortized over the life of the debt. The difference between discounts, refunding, and debt issue costs recognized in the current period and discounts, refunding, and debt issue costs amortized for the current period are:		
Bond Refunding	1,640,386	
Cost of Issuance	703,878	
Bond Discounts Amortized	(6,847)	
Bond Refunding Amortized	(48,982)	
Cost of Issuance Amortized	(17,002)	
		2,271,433
Bond premiums are recognized as Other Financing Sources in the period they are received in governmental funds. In the government-wide statements, premiums are amortized over the life of the debt. The difference between premiums recognized in the current period and the premiums amortized for the current period are:		
Bond premiums	(543,797)	
Bond premiums amortized	10,281	
		(533,516)
In the statement of activities, certain operating expenses-compensated absences (vacations) are measured by the amounts earned during the fiscal year. In the governmental funds, however, expenditures for this type of expenditure is measured by the amount of financial resources used (essentially, the amounts actually paid). During the current year, compensated absences earned exceeded compensated absences used by:		(8,135)
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:		(668,200)
Debt Service: In the governmental funds, repayment of long-term obligations are reported as expenditures. In the government-wide statements, repayments of long-term obligations are reported as reduction of liabilities. The amount of expenditures made for the repayment of the principal portion of long-term obligations during the year was:		
General Obligation Bonds	29,757,238	
Capital Leases	547,794	
		30,305,032
Accreted interest on capital appreciation bonds is not recognized as an expenditure in the governmental fund financial statements until paid. In the statement of activities, however, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current year is:		(630,230)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest on outstanding general obligation bonds, certificates of participation, and capital leases increased by:		(21,440)
Change in Net Assets of Governmental Activities		$ 4,044,092

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-Type Activities
	Enterprise Fund
Assets	
Deposits and Investments (Note 2)	$ 14,034
Receivables (Note 4)	234,150
Capital Assets: (Note 6)	
Buildings and Improvements	521,548
Furniture and Equipment	3,287,087
Less: Accumulated Depreciation	(2,721,331)
Total Assets	1,335,488
Liabilities	
Accounts Payable	37,233
Total Liabilities	37,233
Net Assets	
Investment in Capital Assets	1,087,304
Assigned	210,951
Total Net Assets	$ 1,298,255

LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities
	Enterprise Fund
Operating Revenues	
Charges for Services	$ 2,683,335
Total Operating Revenues	2,683,335
Operating Expenses	
Personnel Services	1,992,599
Materials and Supplies	412,310
Contracted Services	278,427
Depreciation	176,636
Total Operating Expenses	2,859,972
Operating Loss	(176,637)
Non-Operating Revenues	
Interest	149
Change in Net Assets	(176,488)
Net Assets - July 1, 2010	1,474,743
Net Assets - June 30, 2011	$ 1,298,255

LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities
	Enterprise Fund
Cash Flows From Operating Activities:	
Cash Received from Services	$ 2,680,891
Payments to Employees for Services	(1,992,599)
Payments to Suppliers for Goods and Services	(698,388)
Net Cash Used by Operating Activities	(10,096)
Cash Flows From Investing Activities:	
Interest	149
Net Decrease in Cash	(9,947)
Deposits and Investments - July 1, 2010	23,981
Deposits and Investments - June 30, 2011	$ 14,034
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Operating Loss	$ (176,637)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	176,636
Changes in Operating Assets and Liabilities:	
Accounts Receivables	(2,444)
Accounts Payable	(7,651)
Net Cash Used by Operating Activities	$ (10,096)

LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Private-Purpose Trust	Agency	Total
	Scholarship Funds	Agency Funds	Total Fiduciary Funds
Assets			
Deposits and Investments (Note 2)	$ 135,687	$ 1,264,260	$ 1,399,947
Receivables	123		123
Total Assets	135,810	1,264,260	1,400,070
Liabilities			
Accounts Payable	1,650		1,650
Due to Student Groups		1,264,260	1,264,260
Total Liabilities	1,650	1,264,260	1,265,910
Net Assets			
Restricted	134,160	0	134,160
Total Net Assets	$ 134,160	$ 0	$ 134,160

LIBERTY UNION HIGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Private-Purpose Trust
	Scholarship Funds
Additions	
Gifts and Contributions	$ 5,364
Interest	545
Total Additions	5,909
Deductions	
Scholarships Awarded	13,250
Total Deductions	13,250
Change in Net Assets	(7,341)
Net Assets	
Net Assets - July 1, 2010	141,501
Net Assets - June 30, 2011	$ 134,160

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The Liberty Union High School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Trustees elected by registered voters of the District, which comprises an area in Contra Costa County. The District was established in 1902 and serves students in grades 9-12.

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

Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

B. Reporting Entity

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

C. Implementation of New Accounting Pronouncements

In March of 2009, the GASB issued GASB Statement No. 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definition,* with required implementation for the District during the year ended June 30, 2011. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB 54 provides for fund balance classifications such as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the District and its component units. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental and enterprise 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. The Enterprise Fund is presented on the proprietary fund statements. Fiduciary funds are reported by fund type.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Concluded)

Fund Financial Statements (Concluded):

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are transportation related fees. Operating expenses for the enterprise fund include the costs of personnel services, materials and supplies, and other services related to operating the transportation consortium program.

Fiduciary funds are reported using the economic resources measurement focus.

E. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined available as collectible within one year.

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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Accounting (Concluded)

Revenues – Exchange and Non-exchange Transactions (Concluded):

Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue:

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

Expenses/Expenditures:

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

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

F. Fund Accounting

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

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Accounting (Continued)

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

Debt Service Funds - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Proprietary Funds - Proprietary funds focus on the determination of the changes in net assets, financial position and cash flows and are classified as either enterprise or internal service.

Fiduciary Funds - Fiduciary funds are classified as either *Private-Purpose Trust Funds,* which are used to account for assets held by the District as trustee, or *Agency Funds*, which are used to account for assets of others for which the District acts as an agent.

The District's accounts are organized into major, non-major, proprietary, and fiduciary funds as follows:

Major Governmental Funds:

General Fund is the general operating fund of the District. It is used to account for and report all financial resources not accounted for and reported in another fund.

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

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

Non-major Governmental Funds:

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Accounting (Concluded)

Non-major Governmental Funds: (Concluded)

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

Proprietary Fund:

Enterprise Funds was established to account for transactions of the Transportation Consortium, which are financed and operated in a manner similar to a business enterprise, where the intent is to recover the cost of providing the services through user charges.

Fiduciary Funds:

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

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund to account for the student body accounts at each school site, which are used to account for the raising and expending of money to promote the general welfare, and educational experience of the student body.

G. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund as required supplementary information on page 51.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account (See Note 3).

H. Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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.

J. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows for the District's proprietary fund, the District considers all highly liquid investment instruments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents.

K. Assets, Liabilities and Equity

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured to $250,000 by the Federal Depository Insurance Corporation (FDIC).

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

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

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

2. Stores Inventory and Prepaid Expenses

Inventories are recorded using the consumption method in that inventory acquisitions are initially recorded in inventory asset accounts and are recorded as expenditures when the supplies are used. Inventories are valued at average cost and consist of expendable supplies held for consumption.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Assets, Liabilities and Equity (Continued)

2. Stores Inventory and Prepaid Expenses (Concluded)

Reported inventories are equally offset by a net assets reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

Prepaid expenses include issuance costs related to prior year and current year debt issues, which are being amortized over the life of the obligations. Reported prepaid expenses are equally offset by a net assets reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

3. Capital Assets

Furniture and equipment purchased or acquired with an original cost of $10,000 or more 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 expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Asset Class	Years
Sites and Improvements	6-36
Buildings and Improvements	7-45
Furniture and Equipment	6-10

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. Deferred revenue includes premiums associated with the prior year and current debt issues, which will be amortized over the life of the obligation.

5. Compensated Absences

All vacation pay and labor related benefits are accrued when incurred in the government-wide financial statements.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Assets, Liabilities and Equity (Continued)

6. Long-term Liabilities

In the government-wide financial statements, long-term obligations are reported as liabilities in the Statement of Net Assets. Premiums and discounts, as well as issuance costs, related to long-term obligations issued after the implementation of GASB Statement No. 34, are deferred and amortized over the life of the obligation when material to the financial statements. Long-term liabilities are reported net of the applicable premiums, discounts and issuance costs.

In the fund financial statements, governmental funds recognize the face amount of the obligation, including premiums, discounts as well as issuance costs, during the current period. The face amount of the obligations, premiums, discounts, or issuance costs is reported as other financing sources or uses.

7. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance consists of funds that are set aside for a specific purpose by the district's highest level of decision making authority (governing board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the district's highest level of decision making authority or a body or official that has been given the authority to assign funds. In accordance with board policy, the Chief Business Official has been given this authority.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. In accordance with board policy, the District intends to maintain a Reserve for Economic Uncertainties of at least 5% of the General Fund's annual total expenditures and other financing uses. In the event the fund balance drops below 5%, it shall be recovered at a rate of no less 1% each year.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

K. Assets, Liabilities and Equity (Concluded)

7. Fund Balance Classification (Concluded)

The District considers restricted fund balances to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

8. Revenue Limit/Property Tax

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

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

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District. The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the State Apportionment.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

	Governmental Activities	Business-Type Activities	Fiduciary Activities
Cash on Hand and in Banks	$ 4,438		$ 1,264,260
Cash in Revolving Fund	10,200		
Cash with Fiscal Agent	595,011		
County Pool Investments	9,910,724	$ 14,034	135,687
Total Deposits and Investments	$ 10,520,373	$ 14,034	$ 1,399,947

Cash on Hand and in Banks

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District, exclusive of amounts held in revolving funds.

Cash in Revolving Fund

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds.

Cash with Fiscal Agent

Cash with fiscal agent consists of $595,011 of earned retention fund, held in an escrow account at First Republic Bank that will be released to the contractor upon the successful completion of the La Paloma Continuation High School project.

County Pool Investments

County pool investments consist of District cash held by the Contra Costa County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio).

General Authorization

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule below:

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Interest Rate Risk

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

Segmented Time Distribution

Information about the sensitivity of the fair value of the District's investment to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investment by maturity:

Governmental Activities:

Investment Type	Carrying Value	Fair Value	Less Than 1 Year	More Than 1 Year
County Pool Investments	$ 9,910,724	$ 9,920,635	$ 8,622,330	$ 1,288,394

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Segmented Time Distribution (Concluded)

Business-Type Activities:

Investment Type	Carrying Value	Fair Value	Less Than 1 Year	More Than 1 Year
County Pool Investments	$ 14,034	$ 14,048	$ 12,210	$ 1,824

Fiduciary Activities:

Investment Type	Carrying Value	Fair Value	Less Than 1 Year	More Than 1 Year
County Pool Investments	$ 135,687	$ 135,823	$ 118,048	$ 17,639

Credit Risk

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

Governmental Activities:

			Rating as of Year End		
Investment Type	Carrying Value	Fair Value	AAA	Aa	Unrated
County Pool Investments	$ 9,910,724	$ 9,920,635			$ 9,910,724

Business-Type Activities:

			Rating as of Year End		
Investment Type	Carrying Value	Fair Value	AAA	Aa	Unrated
County Pool Investments	$ 14,034	$ 14,048			$ 14,034

Fiduciary Activities:

			Rating as of Year End		
Investment Type	Carrying Value	Fair Value	AAA	Aa	Unrated
County Pool Investments	$ 135,687	$ 135,823			$ 135,687

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. However, the District does not hold any investments in any one issuer, at year-end, that represents five percent or more of the total investments held by the District.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Custodial Credit Risk - Deposits

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

Custodial Credit Risk - Investments

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2011, the District does not have any investments that are held by counterparties.

Derivative Investments

The District does not directly invest in any derivative investments. Information relating to the use of derivative investments by the Contra Costa County Treasury was not available.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in the General Fund were as follows:

General Fund	Excess Expenditures
Classified Salaries	$ 184,009
Capital Outlay	160
Debt Service: Principal Retirement	109,824
Debt Service: Interest and Fiscal Charges	66,695

The District incurred unanticipated expenditures in each of the above expenditure classifications for which the budget was not revised.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2011, consist of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Business-Type Activities
Federal Government	$ 355,023	$ 76,706	$ 431,729	
State Government	8,193,031	2,445	8,195,476	
Local Governments	1,116,936		1,116,936	$ 233,353
Miscellaneous	34,131	49,860	83,991	797
Totals	$ 9,699,121	$ 129,011	$ 9,828,132	$ 234,150

NOTE 5 - INTERFUND ACTIVITIES

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

A. Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2011 are as follows:

Funds	Interfund Receivables	Interfund Payables
General		$ 300,000
Deferred Maintenance	$ 300,000	
Totals	$ 300,000	$ 300,000

All interfund receivables and payables are scheduled to be paid within one year.

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2010-11 were as follows:

Funds	Transfers In	Transfers Out
General		$ 282,184
Deferred Maintenance	$ 250,197	
Cafeteria	31,987	
Totals	$ 282,184	$ 282,184

NOTE 5 - INTERFUND ACTIVITIES (CONCLUDED)

B. Interfund Transfers (Concluded)

Transfer $250,197 from the General Fund to the Deferred Maintenance Fund to provide funding for future deferred maintenance projects.

Transfer $31,987 from the General Fund to the Cafeteria Fund to provide funding to support the child nutrition program.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

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

A. Governmental Activities

	Balances July 1, 2010	Additions	Deletions	Balances June 30, 2011
Land	$ 14,843,150	$ 1,271,713		$ 16,114,863
Sites and Improvements	17,481,230	350,160		17,831,390
Buildings and Improvements	160,848,927	2,213,726		163,062,653
Furniture and Equipment	1,450,948			1,450,948
Work-in-Progress	9,669,400	7,939,370	$ 3,842,746	13,766,024
Totals at Historical Cost	204,293,655	11,774,969	3,842,746	212,225,878
Less Accumulated Depreciation for:				
Sites and Improvements	11,244,225	872,435		12,116,660
Buildings and Improvements	24,625,817	4,544,888		29,170,705
Furniture and Equipment	1,196,737	59,908		1,256,645
Total Accumulated Depreciation	37,066,779	5,477,231	0	42,544,010
Governmental Activities Capital Assets, net	$ 167,226,876	$ 6,297,738	$ 3,842,746	$ 169,681,868

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 3,361,491
Supervision of Instruction	88,655
Instructional Library and Technology	51,929
School Site Administration	653,066
Home-To-School Transportation	96,124
Food Services	114,407
Other Pupil Services	200,071
Data Processing Services	5,279
Other General Administration	249,678
Plant Services	656,531
Total Depreciation Expense	$ 5,477,231

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

B. Business-Type Activities

	Balances July 1, 2010	Additions	Deletions	Balances June 30, 2011
Buildings and Improvements	$ 521,548			$ 521,548
Furniture and Equipment	3,287,087			3,287,087
Totals at Historical Cost	3,808,635	$ 0	$ 0	3,808,635
Less Accumulated Depreciation for:				
Buildings and Improvements	147,849	16,246		164,095
Furniture and Equipment	2,396,846	160,390		2,557,236
Total Accumulated Depreciation	2,544,695	176,636	0	2,721,331
Business-Type Activities Capital Assets, net	$ 1,263,940	$ (176,636)	$ 0	$ 1,087,304

Depreciation expense was charged to business-type activities as follows:

Enterprise	$ 176,636

NOTE 7 - GENERAL OBLIGATION BONDS

In April 2011, the District issued $28.96 million of general obligation refunding bonds for purposes of refunding a portion of the District's outstanding bonds with a principal balance of $27,082,238, and to pay costs of issuance related to the new bonds. As a result of issuing the refunding bonds, the District recognized present value cost savings of $2,169,006.

The outstanding general obligation debt of the District as of June 30, 2011 is as follows:

A. Capital Appreciation Bonds

Date Of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2010	Accreted Interest Current Year	Redeemed Current Year	Outstanding June 30, 2011
2002	5.55-6.00	2029	$ 8,782,658	$ 13,992,008	$ 630,230	$ 14,622,238	$ 0

B. Current Interest Bonds

Date Of Issue	Interest Rate %	Maturity Year	Amount of Original Issue	Outstanding July 1, 2010	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2011
2001	4.00-4.875	2020	$ 19,360,000	$ 10,600,000		$ 10,600,000	$ 0
2002	3.70-7.50	2031	13,575,000	12,685,000		3,355,000	9,330,000
2004	3.00-6.00	2029	17,640,000	14,055,000		530,000	13,525,000
2005	3.00-4.375	2021	11,750,000	8,665,000		650,000	8,015,000
2011	2.00-5.00	2029	28,960,000	0	$ 28,960,000	0	28,960,000
Totals			$ 91,285,000	$ 46,005,000	$ 28,960,000	$ 15,135,000	$ 59,830,000

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Current Interest Bonds (Concluded)

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	Totals
2012	$ 2,700,000	$ 2,276,968	$ 4,976,968
2013	2,205,000	2,190,675	4,395,675
2014	2,260,000	2,224,520	4,484,520
2015	2,320,000	2,157,135	4,477,135
2016	2,390,000	2,083,173	4,473,173
2017-2021	13,310,000	9,063,169	22,373,169
2022-2026	16,225,000	6,095,797	22,320,797
2027-2031	18,420,000	2,249,656	20,669,656
Totals	$ 59,830,000	$ 28,341,093	$ 88,171,093

NOTE 8 - CAPITAL LEASES

In October 2010, the District entered an adjustable rate capital lease agreement to finance a portion of the replacement facility for La Paloma High School. In addition, the District has various other lease agreements, all of which provide for title to pass upon the expiration of the lease periods.

Future minimum lease payments under these agreements are as follows:

Year Ended June 30	Lease Payments
2012	$ 714,065
2013	1,135,503
2014	1,138,503
2015	1,141,503
2016	1,155,503
2017-2021	5,049,175
2022-2026	2,872,104
2027-2031	1,853,271
Total payments	15,059,627
Less amount representing interest	(3,786,144)
Present value of net minimum lease payments	$ 11,273,483

The District will receive no sublease rental revenues nor pay any contingent rentals for the leased assets.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Descriptions: The District provides medical coverage to employees who retire from active status with a specified minimum age and years of service, and who are also eligible for pension benefits under either the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS). The benefits provided are as follows:

	Certificated	Classified	Management
Benefit Types Provided	Medical Only	Medical Only	Medical Only
Duration of Benefits	To age 65	To age 65	To age 65
Required Service	10 years	10 years	10 years
Minimum age	60	60	60
Dependent Coverage	Yes	Yes	Yes
District Contribution %	100%	100%	100%
District Cap	10-19 years of service: $150 / month 20-29 years of service: $170 / month 30+ years of service: $190 / month	$200 per month	10-19 years of service: $150 / month 20-29 years of service: $170 / month 30+ years of service: $190 / month

Those who don't qualify for or exhaust the benefits listed above are entitled to the statutory minimum employer contributions under the Public Employees' Medical and Hospital Care Act (PEMHCA).

All contracts with District employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by various labor agreements.

The number of participants as of December 1, 2010, the effective date of the biennial OPEB valuation is as follows.

Active employees	553
Retired employees	39
Total	592

For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

Funding Policy: The District currently pays for post employment healthcare benefits on a pay-as-you-go basis, and these financial statements assume that pay-as-you-go funding will continue.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation: The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2011, the amount actually contributed to the plan, and changes in the District's Net OPEB Obligation that resulted in a Net OPEB Obligation of $1,756,557 for the year ended June 30, 2011.

Normal cost with interest to end of year	$ 440,014
Amortization of UAAL with interest to end of year	272,009
Annual required contribution (ARC)	712,023
Interest on Net OPEB Obligation	53,577
Adjustment to ARC	(47,461)
Annual OPEB cost (expense)	718,139
Contributions for the fiscal year	(49,939)
Increase in Net OPEB Obligation	668,200
Net OPEB Obligation - June 30, 2010	1,088,357
Net OPEB Obligation - June 30, 2011	$ 1,756,557

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2011	$ 718,139	7.0%	$1,756,557
June 30, 2010	580,718	5.3%	1,088,357
June 30, 2009	560,821	4.0%	538,324

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

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 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.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)

Actuarial Methods and Assumptions: (Concluded)

In the December 1, 2010, actuarial valuation, the liabilities were computed using the entry age normal method and the District's unfunded actuarial accrued liability is being amortized on the level percentage of payroll basis over a 30 year amortization period. The actuarial assumptions utilized a 5% discount rate, the expected long-term rate of return on District assets. The compensation increase rate of 3% was provided by the District and based on historical data. The valuation assumes a 4% healthcare cost trend rate based on the actuary's long-term assumption that the average increase over time cannot continue to outstrip general inflation by a wide margin.

NOTE 10 - LONG-TERM LIABILITIES

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

	Balances July 1, 2010	Additions	Deductions	Balances June 30, 2011	Due within One Year
Compensated Absences	$ 174,880	$ 183,015	$ 174,880	$ 183,015	$ 183,015
General Obligation Bonds:					
Current Interest	46,005,000	28,960,000	15,135,000	59,830,000	2,700,000
Capital Appreciation	13,992,008	630,230	14,622,238	0	
Capital Leases	5,801,277	6,020,000	547,794	11,273,483	352,475
Other Post Employment Benefits	1,088,357	718,139	49,939	1,756,557	
Totals	$ 67,061,522	$ 36,511,384	$ 30,529,851	$ 73,043,055	$ 3,235,490

NOTE 11 - FUND BALANCES

The fund balances as of June 30, 2011 are as follows:

	General Fund	Bond Interest & Redemption Fund	County School Facilities Fund	Non-Major Governmental Funds	Totals
Nonspendable	$ 10,000			$ 7,823	$ 17,823
Restricted	1,122,645	$ 3,720,595	$ 4,769,270	60,068	9,672,578
Assigned	1,300,000			1,103,246	2,403,246
Unassigned:					
Economic Uncertainties	1,800,000				1,800,000
Other	3,201,883				3,201,883
Total Fund Balances	$ 7,434,528	$ 3,720,595	$ 4,769,270	$ 1,171,137	$ 17,095,530

NOTE 12 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the California State Teachers' Retirement System (CalSTRS) for K-12 education. These payments consist of state general fund contributions of $1,084,170 to CalSTRS (4.267% of salaries subject to CalSTRS).

NOTE 13 - 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 California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-11 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2011, 2010, and 2009, were $2,096,185, $2,134,060, and $2,121,583, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under 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 statues, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issue a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees' Retirement System (CalPERS) (Concluded)

Funding Policy

Active plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-11 was 10.707% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2011, 2010, and 2009, were $983,960, $891,843, and $892,245, respectively, and equal 100% of the required contributions for each year.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. The District contributes 6.2% of an employee's gross earnings. In addition, the employees were required to contribute 6.2% of their gross earnings from July 2010 through December 2010 and 4.2% from January 2011 through June 2011.

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010-11, the District participated in two joint powers authorities (JPAs) for purposes of pooling risk. There were no significant reductions in coverage during the year.

NOTE 15 - JOINT VENTURES

The District participates in three joint ventures under joint powers agreements (JPAs); the Contra Costa County Schools Insurance Group (CCCSIG) for workers' compensation insurance, the East Bay Schools Insurance (EBSIG) for property and liability insurance, and Schools Self-Insurance of Contra Costa County (SSICCC) for dental and vision insurance. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

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

The JPAs are audited on an annual basis. Financial information can be obtained by contacting each JPA's management.

NOTE 16 - DEFEASED DEBT

Certain general obligation bonds of the District have been defeased by placing the proceeds of refunding bonds in irrevocable escrow accounts held and managed by bank trustees, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow account and the defeased bonds are not included in the District's financial statements. The defeased bonds outstanding at June 30, 2011 considered extinguished are as follows:

Bond Series	Maturities Refunded	Principal & Accreted Interest Refunded
2001 Election, Series A	2013-2017	$ 3,175,000
2001 Election, Series B	2017-2029	14,622,238
2001 Refunding	2011-2020	9,285,000

NOTE 17 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Litigation

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

C. Construction Commitments

As of June 30, 2011, the District has the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
LaPaloma Continuation School	$ 515,225	11/16/11

NOTE 18 - RESTATEMENT OF NET ASSETS

The July 1, 2010 government-wide net assets balance has been restated to reflect the additional obligation for Other Post Employment Benefits associated with the District's statutory minimum employer contributions under the Public Employees' Medical and Hospital Care Act (PEMHCA). The original actuarial study dated January 16, 2008, inappropriately excluded this benefit.

The effect of the restatement on the current year financial statements is as follows:

	Governmental Activities - Statement of Net Assets
Net Assets - July 1, 2010 (as originally stated)	$ 111,802,457
Understatement of Other Post Employment Benefits	941,331
Net Assets - July 1, 2010 (as restated)	$ 110,861,126

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUPPLEMENTARY INFORMATION SECTION

[THIS PAGE INTENTIONALLY LEFT BLANK]

LIBERTY UNION HIGH SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Revenue Limit Sources:				
State Apportionment	$ 20,161,986	$ 22,896,173	$ 23,143,690	$ 247,517
Local Sources	19,813,762	19,588,576	19,204,435	(384,141)
Total Revenue Limit Sources	39,975,748	42,484,749	42,348,125	(136,624)
Federal Revenue	1,625,822	3,782,204	2,920,889	(861,315)
Other State Revenue	4,517,258	4,644,915	4,731,896	86,981
Other Local Revenue	3,902,473	4,146,586	4,158,437	11,851
Total Revenues	50,021,301	55,058,454	54,159,347	(899,107)
Expenditures				
Certificated Salaries	24,112,096	26,204,543	25,902,607	301,936
Classified Salaries	6,959,541	7,079,748	7,263,757	(184,009)
Employee Benefits	9,677,809	10,210,808	9,829,006	381,802
Books and Supplies	1,456,329	1,935,379	1,346,118	589,261
Services and Other Operating Expenditures	6,430,671	7,450,696	6,553,538	897,158
Capital Outlay	53,683	362,341	362,501	(160)
Debt Service:				
Principal Retirement	205,000	230,000	339,824	(109,824)
Interest and Fiscal Charges	170,000	170,000	236,695	(66,695)
Other Expenditures	(40,000)	(37,976)	(37,976)	
Total Expenditures	49,025,129	53,605,539	51,796,070	1,809,469
Excess of Revenues Over Expenditures	996,172	1,452,915	2,363,277	910,362
Other Financing (Uses)				
Operating Transfers Out	(838,760)	(50,197)	(282,184)	(231,987)
Net Change in Fund Balances	157,412	1,402,718	2,081,093	$ 678,375
Fund Balances - July 1, 2010	5,353,435	5,353,435	5,353,435	
Fund Balances - June 30, 2011	$ 5,510,847	$ 6,756,153	$ 7,434,528	

LIBERTY UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Deferred Maintenance	Cafeteria	Adult Education	Capital Facilities	Total Non-Major Governmental Funds
Assets					
Deposits and Investments	$ 145,833	$ 49,587	$ 571,956	$ 60,182	$ 827,558
Receivables		56,791	49,957	22,263	129,011
Due from Other Funds	300,000				300,000
Stores Inventory		7,623			7,623
Total Assets	$ 445,833	$ 114,001	$ 621,913	$ 82,445	$ 1,264,192
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	$ 32,498	$ 8,216	$ 29,964	$ 22,377	$ 93,055
Total Liabilities	32,498	8,216	29,964	22,377	93,055
Fund Balances:					
Nonspendable		7,623	200		7,823
Restricted				60,068	60,068
Assigned	413,335	98,162	591,749		1,103,246
Total Fund Balances	413,335	105,785	591,949	60,068	1,171,137
Total Liabilities and Fund Balances	$ 445,833	$ 114,001	$ 621,913	$ 82,445	$ 1,264,192

LIBERTY UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Deferred Maintenance	Cafeteria	Adult Education	Capital Facilities	Total Non-Major Governmental Funds
Revenues					
Federal Revenue		$ 272,927	$ 119,007		391,934
State Revenue	$ 224,803	23,828	748,164		996,795
Local Revenue	620	800,111	324,135	$ 599,634	1,724,500
Total Revenues	225,423	1,096,866	1,191,306	599,634	3,113,229
Expenditures					
Instruction			521,293		521,293
School Site Administration			364,098		364,098
Food Services		1,131,715			1,131,715
Other General Administration			40,000		40,000
Plant Services	216,673	7,894	120,356	177,875	522,798
Facilities Acquisition and Construction	25,422			376,726	402,148
Debt Service:					
Principal Retirement	46,371			161,599	207,970
Interest and Issuance Costs	17,629			67,490	85,119
Total Expenditures	306,095	1,139,609	1,045,747	783,690	3,275,141
Excess of Revenues Over (Under) Expenditures	(80,672)	(42,743)	145,559	(184,056)	(161,912)
Other Financing Sources					
Operating Transfers In	250,197	31,987			282,184
Net Change in Fund Balances	169,525	(10,756)	145,559	(184,056)	120,272
Fund Balances - July 1, 2010	243,810	116,541	446,390	244,124	1,050,865
Fund Balances - June 30, 2011	$ 413,335	$ 105,785	$ 591,949	$ 60,068	$ 1,171,137

LIBERTY UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Actuarial Valuation Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
12/1/10	$ 0	$ 5,848,630	$ 5,848,630	0%	$ 31,317,989	18.7%
1/16/08	0	4,275,972	4,275,972	0%	25,388,246	16.8%

LIBERTY UNION HIGH SCHOOL DISTRICT

ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

ORGANIZATION

The Liberty Union High School District was established in 1902, and is comprised of an area of approximately 350 square miles in Contra Costa County. There was no change in District boundaries during the year. The District operates three comprehensive high schools, one continuation high school, an independent study program and an adult education program.

BOARD OF TRUSTEES

ADMINISTRATION

Jerome T. Glenn
Superintendent

Rick Miller
Business Manager

LIBERTY UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Second Period Report	Annual Report
Secondary		
Ninth through Twelfth	6,578.51	6,527.64
Continuation Education	187.52	187.23
Home and Hospital	4.29	5.48
Special Education - SDC	185.47	184.22
Special Education - Nonpublic	23.18	23.51
Extended Year - SDC	4.10	4.10
Extended Year - Nonpublic	2.82	2.82
Totals	6,985.89	6,935.00

SEE NOTES TO SUPPLEMENTARY INFORMATION

LIBERTY UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Grade Level	1982-83 Actual Minutes	Adjusted 1982-83 Actual Minutes	1986-87 Minutes Required	Adjusted 1986-87 Minutes Required	2010-11 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 9	53,985	52,485	64,800	63,000	63,895	177	N/A	In Compliance
Grade 10	53,985	52,485	64,800	63,000	63,895	177	N/A	In Compliance
Grade 11	53,985	52,485	64,800	63,000	63,895	177	N/A	In Compliance
Grade 12	53,985	52,485	64,800	63,000	63,895	177	N/A	In Compliance

LIBERTY UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Program Name	Federal Catalog Number	Pass-Through Identification Number	Federal Program Expenditures
U.S. Department of Agriculture:			
Passed through California Department of Education (CDE):			
National School Lunch	10.555	13524	$ 206,283
Especially Needy	10.553	13526	66,644
U.S. Department of Education:			
Passed through CDE:			
NCLB: Title I Basic Grant	84.010	14329	297,843
NCLB: Title I Migrant Education	84.011	14326	2,352
NCLB: ARRA Title II Enhancing Education Through Technology	84.386A	15019	5,859
NCLB: Title II Improving Teacher Quality	84.367	14341	78,331
NCLB: Title III Immigrant Education Program	84.365	14346	57,840
NCLB: Title IV Drug Free Schools	84.186	14347	430
NCLB: Title V Innovative Education Strategies	84.298A	14354	3,623
ARRA State Fiscal Stabilization Funds	84.394	25008	416,326
Education Jobs Funds	84.410	25152	667,199
Vocational Programs	84.048A	14894	58,316
Adult Education Secondary	84.002	13978	92,257
Adult Education: English Literacy & Civic Education	84.002	13978	14,125
Vocational Programs - Adult	84.048	13923	12,625
NCLB: Title X McKinney-Vento Homeless Assistance	84.196	14332	19,553
NCLB: ARRA Title X McKinney-Vento Homeless Assistance	84.196	15007	5,192
Passed through Contra Costa SELPA:			
Special Education Cluster:			
IDEA Part B Local Assistance Grant	84.027	13379	1,149,330
ARRA IDEA Part B Local Assistance	84.391	15003	87,624
U.S. Department of Health and Human Services:			
Passed through Contra Costa SELPA:			
Medi-Cal Billing	93.778	10013	39,923
Total			$ 3,281,675

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Auditor's Comments

The audited financial statements of all funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2011.

LIBERTY UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	GENERAL FUND			
	(Budget)* 2011-12	2010-11	2009-10	2008-09
Revenues and Other Financial Sources	$ 54,826,697	$ 54,159,347	$ 52,395,152	$ 55,564,795
Expenditures	54,090,025	51,796,070	52,259,649	53,213,690
Other Uses and Transfers Out	827,988	282,184	1,120,102	65,294
Total Outgo	54,918,013	52,078,254	53,379,751	53,278,984
Change in Fund Balance	(91,316)	2,081,093	(984,599)	2,285,811
Ending Fund Balance	$ 7,343,212	$ 7,434,528	$ 5,353,435	$ 6,338,034
Available Reserves	$ 4,943,986	$ 5,001,883	$ 2,988,709	$ 1,906,249
Reserve for Economic Uncertainties **	$ 1,800,000	$ 1,800,000	$ 1,800,000	$ 1,660,000
Available Reserves as a Percentage of Total Outgo	9.0%	9.6%	5.6%	3.6%
Total Long-Term Liabilities ***	$ 69,807,565	$ 73,043,055	$ 67,061,522	$ 68,762,132
Average Daily Attendance at P-2 (Exclusive of Adult ADA)	7,129	6,986	6,801	6,543

* The fiscal year 2011-12 budget information is presented for analytical purposes only and has not been audited.

** Reported balances are a component of available reserves.

*** The prior year balances have been adjusted to reflect the restatement discussed at Note 18 in these financial statements.

The fund balance of the General Fund increased $1,096,494 (17%) over the past two years. The fiscal year 2011-12 budget projects a decrease of $91,316 (1%). For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District incurred an operating deficit of $984,599 during fiscal year 2009-10 and produced operating surpluses of $2,285,811 and $2,081,093 during fiscal years 2008-09 and 2010-11, respectively.

Long-term liabilities increased $4,280,932 over the past two years due primarily to the current year addition of a $6.02 million capital lease agreement that was entered into to finance a portion of the La Paloma High School replacement facility.

Average daily attendance (ADA) increased 443 ADA over the past two years. The District anticipates an increase of 143 ADA during fiscal year 2011-12.

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

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

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

B. Combining Statements

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

C. Schedule of Funding Progress

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, the District is required to present a Schedule of Funding Progress which shows the funding progress of the District's OPEB plan for the most recent valuation and the two preceding valuations. The information required to be disclosed includes the valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll and the ratio of the unfunded actuarial liability (or funding excess) to annual covered payroll.

D. Schedule of Average Daily Attendance

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

E. Schedule of Instructional Time

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

F. Schedule of Expenditures of Federal Awards

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

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

G. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the Annual Financial and Budget Report to the audited financial statements.

H. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

[THIS PAGE INTENTIONALLY LEFT BLANK]

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Liberty Union High School District
Brentwood, California

We have audited Liberty Union High School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11* to the state laws and regulations listed below for the year ended June 30, 2011. Compliance with the requirements of state laws and regulations is the responsibility of the District's management. Our responsibility is to express an opinion on Liberty Union High School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11*, prescribed in the California Code of Regulations, Title 5 section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Liberty Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Liberty Union High School District's compliance with those requirements.

Description	Procedures in Education Audit Appeals Panel's Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Not Applicable
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Material:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes

P.O. Box 2196 / Folsom, CA 95763 / Phone (916) 966-3883 / Fax (916) 966-3815

Board of Trustees
Liberty Union High School District
Page Two

Description	Procedures In Education Audit Appeals Panel's Audit Guide	Procedures Performed
Class Size Reduction:		
General Requirements	7	Not Applicable
Option One	3	Not Applicable
Option Two	4	Not Applicable
Districts or Charter Schools With Only One School Serving Grades K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	4	Not Applicable
Before School	5	Not Applicable
Contemporaneous Records of Attendance For Charter Schools	1	Not Applicable
Mode of Instruction for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/ Independent Study for Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction for Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based For Charter Schools	3	Not Applicable

In our opinion, Liberty Union High School District complied with the state laws and regulations referred to above for the year ended June 30, 2011. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Liberty Union High School District had not complied with the state laws and regulations.

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 5, 2011

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

Board of Trustees
Liberty Union High School District
Brentwood, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Liberty Union High School District, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Liberty Union High School District's basic financial statements and have issued our report thereon dated December 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over financial reporting, which are described in **11 - 1 / 30000** and **11 - 2 / 30000** in the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

P.O. Box 2196 / Folsom, CA 95763 / Phone (916) 966-3883 / Fax (916) 966-3815

Compliance and Other Matters

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

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the responses and, accordingly, we express no opinion on them.

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 5, 2011

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

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

Board of Trustees
Liberty Union High School District
Brentwood, California

Compliance

We have audited Liberty Union High School District with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Liberty Union High School District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grant applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on Liberty Union High School District's compliance based on our audit.

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

In our opinion, Liberty Union High School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

P.O. Box 2196 / Folsom, CA 95763 / Phone (916) 966-3883 / Fax (916) 966-3815

Internal Control Over Compliance

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

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

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

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 5, 2011

FINDINGS AND QUESTIONED COSTS SECTION

[THIS PAGE INTENTIONALLY LEFT BLANK]

LIBERTY UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	____ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	X Yes	____ No
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

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

Identification of major programs:

CFDA Numbers	Federal Program
84.394	State Fiscal Stabilization Funds
84.410	Education Jobs Funds
84.027 / 84.391	Special Education Cluster

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

State Awards

Internal control over state programs:		
Material weaknesses identified?	____ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes	X No
Type of auditor's report issued on compliance for state programs:	Unqualified	

SECTION II - FINANCIAL STATEMENT FINDINGS

11 - 1 / 30000

SIGNIFICANT DEFICIENCY

CASH DISBURSEMENTS

Criteria:	A strong system of internal control requires that, whenever possible, routine District purchases should be processed through the District's normal accounts payable procedures. In addition, the practice of reimbursing employees for District purchases made on an employee's personal credit card should be limited to extraordinary circumstances.
Condition:	The practice of reimbursing employees for purchases made on an employee's personal credit card is not limited to extraordinary circumstances. One employee received reimbursements totaling more than $16,000 for purchases of computer equipment and supplies. The purchases were made in the name of the employee and charged to the employee's personal credit card. In addition, some of the purchased items were delivered to the employee rather than the District. As a result, the internal control over these purchases is inadequate, and the equipment warranties and District's ability to return the items, if needed, may be jeopardized if the employee were to leave the District.
Questioned Costs:	None. We determined that the equipment and supplies were received by the District and are a proper charge against District funds.
Context:	The condition appears to be limited to one employee.
Effect:	Purchases that are not processed through the District's normal accounts payable procedures are not subjected to the same level of internal control and may impair the District's ability to utilize equipment warranties and/or return the items, if needed.
Cause:	District personnel were unaware of the internal control weakness associated with reimbursing employees for District purchases made on an employee's personal credit card.
Recommendation:	The District should require all routine purchases to be processed through the District's normal accounts payable procedures. In addition, the District should limit the practice of reimbursing employees for District purchases made on an employee's personal credit card.
District Response:	The District will require all routine purchases to be processed through the District's normal accounts payable procedures. In addition, the District will limit the practice of reimbursing employees for District purchases made on an employee's personal credit card.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)

11 - 2 / 30000

SIGNIFICANT DEFICIENCY

STUDENT BODY - CASH RECEIPTS

Criteria:	Cash receipts collected from student body fundraisers should be counted and summarized on cash deposit summary sheets that are signed by the individuals who count the cash, prior to it being submitted to the student body account clerk for deposit, and the individuals who verify the deposit amounts.
Condition:	Cash deposit summaries are not being signed on a consistent basis by individuals who submit cash to the student body account clerk for deposit, or the individuals who very the deposit amounts.
Questioned Costs:	None.
Context:	The condition appears to be limited to Liberty High School.
Effect:	There is no way to determine the completeness of cash receipts if cash is not counted and summarized on cash deposit summary sheets that are signed by the individuals who count the cash, prior to it being submitted to the student body account clerk for deposit, and the individuals that verify the deposit amount. As a result, improprieties may occur and not be detected and corrected in a timely manner.
Cause:	The District has not adequately enforced student body procedures that require cash deposit summary sheets to be completed and signed by the individuals who submit cash to the student body account clerk for deposit, and the individuals who verify the deposit amounts.
Recommendation:	The District should actively enforce student body procedures that require cash deposit summary sheets to be completed and signed by the individuals who submit cash to the student body account clerk for deposit, and the individuals who verify the deposit amounts.
District Response:	The District will actively enforce student body procedures that require cash deposit summary sheets to be completed and signed by the individuals who submit cash to the student body account clerk for deposit, and the individuals who verify the deposit amounts.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2011.

LIBERTY UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal years ended June 30, 2011.

Recommendations	Current Status	Explanation If Not Fully Implemented
FINANCIAL STATEMENTS		
10 - 1 / 30000		
MATERIAL WEAKNESS		
FINANCIAL REPORTING - UNAUDITED ACTUALS		
The District should develop and use a comprehensive year-end closing checklist that addresses each of the prior year financial statement findings, plus any other significant areas that could result in a materially misstated financial statement.	Implemented	
10 - 2 / 30000		
SIGNIFICANT DEFICIENCY		
OUT-OF-STATE TRAVEL		
District personnel should be reminded about the restrictions placed on out-of-state travel. In addition, the District should develop appropriate procedures to ensure that all Board approved out-of-state travel is properly documented.	Implemented	
10 - 3 / 30000		
SIGNIFICANT DEFICIENCY		
STUDENT BODY - CASH RECEIPTS		
The District should actively enforce student body procedures that require all student body fundraising cash receipts to be forwarded to the student body financial clerk intact.	Implemented	
The District should enforce procedures that require individuals to accurately count and prepare the cash deposit summary forms.	Implemented	

Recommendations	Current Status	Explanation If Not Fully Implemented
FEDERAL AWARDS		
10 - 4 / 50000		
SIGNIFICANT DEFICIENCY		
Department of Education		
Passed through California Department of Education		
Title I, Part A Cluster CFDA 84.010 / 84.389		
FEDERAL CERTIFICATIONS		
The District should establish appropriate procedures to ensure that all Title I payroll charges are properly supported by an approved Federal time certification.	Implemented	

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

General Information

The District provides educational services to the residents of the Cities of Brentwood and Oakley and the unincorporated communities of Byron, Knightson and Discovery in Contra Costa County (the "County"), in the State of California (the "State"). The District was established in 1902, and is comprised of an area of approximately 350 square miles. The District operates three comprehensive high schools, one continuation high school, an independent study program and an adult education program. Average Daily Attendance in the District for the 2011-12 school year is estimated to be 7,151 students.

Administration

The District is governed by a five-member Board of Trustees, with each member elected to a four-year term in alternate slates of three and two. Current members of the Board of Trustees, together with their office and the date their term expires, are listed below:

Name	Office	Term Expires
Raymond Valverde	President	December 2012
Joanne Byer	Clerk	December 2014
Holly Hartman	Member	December 2012
Roy Ghiggeri	Member	December 2014
Daron Spears	Member	December 2014

The day-to-day operations are managed by a board-appointed Superintendent of Schools.

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 B-1
LIBERTY UNION HIGH SCHOOL DISTRICT
Annual Enrollment
Fiscal Years 2007-08 through 2012-13(projected)

School Year	Enrollment
2007-08	6,795
2008-09	7,006
2009-10	7,290
2010-11	7,444
2011-12	7,604
2012-13[(1)]	7,725

(1) Estimates.
Source: California Department of Education.

Employee Relations

The District currently has approximately 325.15 full-time equivalent ("FTE") certificated employees and 149.60 FTE classified employees. The certificated employees have assigned the Liberty Employees Association ("LEA") as their exclusive bargaining agent and classified employees have assigned the California School Employees' Association ("CSEA") as their exclusive bargaining agent. The contract with LEA expires June 30, 2013. The contract with CSEA expires June 30, 2014.

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 2009-10 was $2,134,060 (audited), for fiscal year 2010-11 was $2,096,185 (audited) and for fiscal year 2011-12 is budgeted to be $2,094,210 (2nd Interim).

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 10.707% of annual payroll for 2010-11. The District's contribution to PERS for fiscal year 2009-10 was $891,843 (audited), for fiscal year 2010-11 was $983,960 (audited) and for fiscal year 2011-12 is budgeted to be $971,695 (2nd Interim).

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

Other Post-Employment Benefits. In addition to pension benefits described above, the District has entered into various agreements with certain eligible employees. The District provides medical coverage to employees who retire from active status with a specified minimum age and years of service, and who are also eligible for pension benefits from STRS and PERS. The benefits provide to eligible retirees are as follows:

	Certificated	Classified	Management
Benefit Types Provided	Medical	Medical	Medical
Duration of Benefits	To age 65	To age 65	To age 65
Required Service	10 years	10 years	10 years
Minimum Age	60	60	60
Dependent Coverage	no	no	no
District Contribution	none	none	none
District Cap	10-19 years of service: $150/mth 20-29 years of service: $170/mth 30 + years of service: $190/mth	$200/mth	10-19 years of service: $150/mth 20-29 years of service: $170/mth 30 + years of service: $190/mth

Actuarial Study. In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits ("OPEB"). GASB 45 generally requires that local governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most local governments will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

The number of participants as of December 1, 2010, the effective date of the biennial OPEB valuation, was 553 active employees and 39 retired employees. The following table shows the components of the District's OPEB cost for 2010-11, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Table B-2
LIBERTY UNION HIGH SCHOOL DISTRICT
Other Post Employment Benefit Cost – 2010-11

Normal cost with interest to year end	$ 440,041
Amortization of Unfunded actuarial accrued liability	272,009
Annual required contribution (ARC)	712,023
Interest on net OPEB Obligation	53,577
Adjustment to ARC	(47,461)
Annual OPEB cost (expense)	718,139
Contributions for the fiscal year	(49,939)
Increase in Net OPEB Obligation	668,200
Net OPEB Obligation- June 30, 2009	1,088,357
Net OPEB Obligation- June 30, 2010	$ 1,756,557

The District's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the last three fiscal years is as follows.

Fiscal Year Ended	Annual OPEB Cost	Percent Contributed	Net OPEB Obligation
6/30/2009	$560,821	4.0%	$538,324
6/30/2010	580,718	5.3	1,088,357
6/30/2011	718,138	7.0	1,756,557

For further description of the District's liability, see "APPENDIX B - FISCAL YEAR 2010-11 AUDITED FINANCIAL STATEMENTS- Note 9 – Other Post Employment Benefits".

Joint Ventures for Pooled Insurance

The District participates in three joint ventures under joint powers agreements ("**JPAs**") under which the District obtains insurance coverage for various risks:

- The Schools Self-Insurance of Contra Costa County provides for dental and vision insurance.
- The Contra Costa County Schools Insurance Group for worker's compensation insurance.

- The Contra Costa Solano Insurance Group for property and liability insurance.

The relationship between the District and each JPA is such that none of the JPAs is a component unit of the District for financial reporting purposes. Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of the respective JPA, including the selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation of the governing board. Each member district pays a premium commensurate with the level of coverage requested, and shares surpluses and deficits proportionately to their participation in the respective JPA.

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 – FISCAL YEAR 2008-09 AUDITED FINANCIAL STATEMENTS" attached hereto.

The Governmental Accounting Standards Board ("GASB") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting and (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

Financial Statements

The District's Audited Financial Statements for the fiscal year ending fiscal year 2010-11 were prepared by Stephen Roatch Accountancy Corporation, Folsom, California. Audited financial statements for the District for the fiscal year ended June 30, 2011 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. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. The District has not requested nor did the District obtain permission from Stephen Roatch Accountancy Corporation to include the audited financial statements as an appendix to this Official Statement. Accordingly, Stephen Roatch Accountancy Corporation 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 B-3
LIBERTY UNION HIGH 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 sources:			
State apportionment	$18,826,978	$19,944,868	$23,143,690
Local sources	23,859,849	19,417,784	19,204,435
Total revenue limit	42,686,827	39,362,652	42,348,125
Federal revenues	4,155,425	3,411,507	2,920,889
Other state revenues	3,636,502	5,051,677	4,731,896
Other local revenues	4,765,718	4,561,684	4,158,437
Total Revenues	55,244,472	52,387,520	54,159,347
Expenditures			
Instruction	33,089,500	32,087,143	32,068,535
Supervision of Instruction	980,375	869,403	876,972
Instructional Library and Technology	607,721	643,584	513,681
School Site Administration	6,126,226	6,348,762	6,096,034
Home-to-School Transportation	952,974	1,191,019	950,855
Other Pupil Services	2,133,516	2,136,399	1,979,108
Data Processing Services	78,663	119,259	52,215
Other General Administration	2,937,438	2,790,683	2,421,685
Plant Services	5,884,555	5,690,373	5,882,256
Facilities Acquisition and Instruction	216,984	--	376,186
Community Services	500	500	--
Debt service: principal	96,715	204,582	339,824
Debt service: interest	88,458	165,763	236,695
Other Outgo	20,065	12,179	2,024
Total Expenditures	53,213,690	52,259,649	51,796,070
Excess of Revenues Over/(Under) Expenditures	2,030,782	127,871	2,363,277
Other Financing Sources (Uses)			
Operating transfers in	320,323	7,632	--
Operating transfers out (1)	(65,294)	(1,120,102)	(282,184)
Total Other Fin. Source(Uses)	255,029	(1,112,470)	(282,184)
Net change in fund balance	2,285,811	(984,599)	2,081,093
Fund Balance, July 1	4,052,223	6,338,034	5,353,435
Fund Balance, June 30	$6,338,034	$5,353,435	$7,434,528

(1) Transfers out in 2009-10 included a $400,000 transfer to the Deferred Maintenance Fund and a $720,102 to the Adult Education Fund

Source: *Liberty Union High School District Audit Reports for fiscal years 2007-08 through 2009-10.*

The following table shows the District's Adopted Budget for 2011-12, as adopted by the Board of Trustees and the Second Interim projected year totals.

Table B-4
LIBERTY UNION HIGH SCHOOL DISTRICT
General Fund Budgets
For Fiscal Year Ended June 30, 2011

	Adopted Budget 2011-12	2nd Interim Report 2011-12
Revenues		
Revenue Limit Sources	$43,374,582	$42,837,691
Federal revenues	2,071,182	2,711,142
Other state revenues	5,332,224	5,448,605
Other local revenues	4,048,709	4,176,444
Total Revenues	54,826,697	55,173,882
Expenditures		
Certificated Salaries	26,429,783	26,523,190
Classified Salaries	7,051,635	7,199,486
Employee Benefits	10,177,517	10,373,917
Books and Supplies	1,854,933	2,092,383
Services and Other Operating Expenditures	8,194,157	8,186,667
Capital Outlay	20,000	33,682
Other Outgo	402,000	402,000
Transfers of Indirect Costs	(40,000)	(40,000)
Total Expenditures	54,090,025	54,771,325
Excess of Revenues Over/(Under) Expenditures	736,672	402,557
Other Financing Sources (Uses)		
Operating Transfers In	--	--
Operating Transfers Out	(827,988)	(827,988)
Total Other Financing Sources (Uses)	(827,988)	(827,988)
Net Change in Fund Balance	(91,316)	(425,431)
Fund Balance July 1	7,434,528	7,434,528
Fund Balance June 30	$7,343,212	$7,009,097

Source: Liberty Union High School District.

District Reserves. The District is generally required by the State to maintain a reserve for economic uncertainty of 3% of total expenditures and other financing uses. The District's policy is to maintain a reserve of at least 5% of total expenditures and other financing uses. During fiscal year 2010-11 the District met the reserve.

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.

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

The District has maintained positive certifications of its interim financial reports.

Long-Term Debt

The District has never defaulted on the payment of principal of or interest on any of its indebtedness.

General Obligation Bonds. The outstanding general obligation bonds of the district are as follows. The District's general obligation bonds are payable from *ad valorem* taxes levied on taxable parcels in the District.

Issue	Issue Date	Maturity Date	Original Principal	Outstanding 6/1/2012
Election of 2001, Series A	05/28/2002	08/01/2030	13,575,000	$9,135,000
Election of 2001, Series C	03/01/2004	08/01/2028	17,640,000	12,980,000
2004 Refunding	12/15/2004	08/01/2020	11,750,000	7,345,000
2011 Refunding	04/04/2011	08/01/2028	28,960,000	27,670,000

Adjustable Rate Leases. On February 26, 2010, the District refinanced a 1996 variable rate Certificates of Participation with an adjustable rate capital lease (fixed for the first five years at 3.70%) in the amount of $1,747,000, payable through March 1, 2020. The lease is payable from general fund revenues of the District.

In October 2010, the District entered into an adjustable rate capital lease agreement to finance a portion of the replacement facility for La Paloma High School. The lease is in the amount of $6,020,000, payable through April 1, 2030 at a fixed interest rate of 3.51% for the first five years, and reset every five years thereafter.

In addition, the District has various other lease agreements that provide for title to pass to the District upon expiration of the lease periods. As of July 1, 2011, lease payments total $11,273,483 through June 30, 2031. The capital leases are payable from the General Fund and County Schools Facilities Fund.

State Allocation of Funds 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.

For more information on State budgeting and methodology for allocation of moneys to schools, see "State Funding of Education and Recent State Budgets" below.

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.

A schedule of the District's A.D.A. during the past five years, with projected figures for 2011-12 and 2012-13 is shown below.

Table B-5
LIBERTY UNION HIGH SCHOOL DISTRICT
Average Daily Attendance
Fiscal Years 2005-06 through 2012-13 (projected)

Fiscal Year	P-2 ADA
2005-06	5,407
2006-07	5,936
2007-08	6,271
2008-09	6,543
2009-10	6,801
2010-11	6,986
2011-12[1]	7,096
2012-13[1]	7,228

(1) Projected.
Source: Liberty Union High 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. See "Effect of State Budgets on Revenues" below.

Revenue Sources

The District categorizes its general fund revenues into four sources:

Table B-6
LIBERTY UNION HIGH SCHOOL DISTRICT
District Revenue Sources

Revenue Source	Percentage of Total District General Fund Revenues 2008-09	2009-10	2010-11
Revenue limit sources (1)	77.3%	75.1%	78.2%
Federal revenues	7.5	6.5	5.4
Other State revenues	6.6	9.6	8.7
Other local revenues	8.6	8.7	7.7

(1) Consists of a mix of State apportionments of basic and equalization aid and local property tax revenues.
Source: Liberty Union High 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

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 Allocation of Funds 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. 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

State Funding of Education

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" below), 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 nor the County is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

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

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

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

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

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

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

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

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

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

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

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

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

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

2011-12 State Budget

Following the veto by the Governor of a 2011-12 Budget proposed by the Legislature on June 15, 2011, the Legislature passed by majority vote a $86 billion general fund State Budget which attempted to close the State's estimated $9.6 billion budget deficit. The 2011-12 Budget was signed by Governor Brown on June 29, 2011.

According to a summary of the 2011-12 Budget released by the Department of Finance(the **"Department of Finance Report"**), the 2011-12 Budget sought to close a $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 included $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.

Other budget-related legislation passed in June, 2011 (AB1X 26 and AB1X 27) called for the wind-up and dissolution of California redevelopment agencies in order to eliminate the diversion of property taxes from school districts to redevelopment agencies. This legislation was challenged in the California Supreme Court (*California Redevelopment Association v. Matosantos*), which, on December 29, 2011, upheld AB1X 26, making the terms of such legislation operative February 1, 2012. Related legislation allowing redevelopment agencies to continue under certain circumstances (AB1X 27) was invalidated by the Court. Other challenges or delays relating to the implementation of these statutes cannot be predicted at this time.

The 2011-12 Budget projected an additional $4 billion in revenues during fiscal year 2011-12 and a plan 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 assumed, for fiscal year 2010-11, year-end revenues of $94.8 billion and expenditures of $91.5 billion and a 2010-11 ending budget deficit of $2 billion. Projected revenues for 2011-12 were $88.5 billion and authorized expenditures were $85.9 billion, with projections for an ending $543 million surplus.

In the event that during fiscal year 2011-12 revenues did not reach the forecasts included in the 2011-12 Budget, a series of "trigger" reductions that were authorized to be implemented. **"Tier 1 Trigger Cuts"** would be triggered if, by January 2012, State revenues fell short of projections by $1-2 billion. Tier 1 Trigger Cuts relate to cuts in university, social services and library funding and would total approximately $600 million. **"Tier 2 Trigger Cuts"** would be triggered if, by January 2012, revenues were projected to fall short by more than $2 billion. Tier 2 Trigger Cuts relate to K-12 revenue limit funding and home-to-school transportation and total approximately $1.9 billion.

The 2011-12 Budget also included decreases in Proposition 98 funding to $48.7 billion, including $32.8 billion from the State general fund, which reflected a decrease from the prior year of $1.1 billion. This decrease was 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. The 2011-12 Budget also made a significant, one-time modification to State budgeting requirements for school districts, requiring them to project the same level of revenue per student in 2011-12 as in 2010-11, as well as to maintain staffing and program levels commensurate with such level of funding. A related provision of the 2011-12 Budget provided that school districts would 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).

Other significant measures with respect to K-12 education funding were:

· *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 was 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 indicated the program is not a critical need.

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

November 16, 2011 LAO Report. The LAO report entitled "The 2012-13 Budget: California's Fiscal Outlook" estimated that State general fund revenues and transfers in 2011-12 would be $3.7 billion less than the levels assumed in the 2011-12 Budget. This revenue shortfall would translate into $2 billion of potential Tier 1 and Tier 2 Trigger Cuts (described above). The LAO estimated that the State would end 2011-12 with a $3 billion deficit, including the effects of the trigger cuts. The LAO forecasted that in 2012-13 the State would 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. The LAO projected a $10 billion operating shortfall in 2012-13.

January 1, 2012: Trigger Reductions Commence. On December 13, 2011, Governor Jerry Brown announced that $980 million in mid-year trigger cuts would be implemented following the determination by the Department of Finance that the State would fall $2.2 billion short of the revenue forecast contained in the 2011-12 Budget. These include Tier 1 Trigger Cuts and a portion of Tier 2 Trigger Cuts. Effective January 1, 2012, cuts to funding for University of California, California State University, community colleges, developmental services, local libraries and state-subsidized child care and K-12 school bus service funding, among others, became effective. Effective February 1, 2012, a cut to general revenue limit funding for K-12 school districts totaling $79.6 million will be implemented.

2012-13 State Budget

On January 5, 2012, Governor Brown submitted his 2012-13 Proposed Budget to the Legislature. The 2012-13 Proposed Budget acknowledges a $9.2 billion budget problem that requires attention prior to the beginning of fiscal year 2012-13. The 2012-13 Budget relies predominantly on proposals in three areas: (1) assumed voter approval of a tax increase initiative, (2) changes in how the State funds general purpose, categorical and mandate funding to schools, and (3) reductions in general fund support for CalWORKS and subsidized child care.

The tax initiative is proposed for the November 2012 election, and provides for temporary increases in income and sales taxes, which is expected to provide an estimated $6.9 billion in increased State revenues by the end of 2012-13. If successful, a $1.1 billion reserve could be achieved at the end of 2012-13 as well as balanced annual budgets for the next few subsequent years.

If rejected by voters, the 2012-13 Proposed Budget specifies $5.4 billion in trigger cuts to take effect January 1, 2013 for K-12 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).

LAO Initial Overview of Governor's Proposed 2012-13 Budget. The LAO notes that during 2011, the Governor and the State Legislature took significant steps through ongoing budgetary actions to restore California's budget to balance. Whether the 2012 proposed actions take the form of voter-approved tax increases and reductions in social services and subsidized child care, or, if the tax increases are not approved, large cuts aimed largely at schools, the budget will move much closer to balance over the next several years.

The LAO notes that its revenue projections are lower than those used in the 2012-13 Budget, and the LAO also estimates that revenue from the proposed tax initiative would be also be lower than the administration's estimates. These relate to uncertainties in the amount of tax revenue which can be generated from the proposed personal income tax increase that relates to the top one percent of filers, an uncertain revenue source. If these revenue projections are not accurate, then billions of dollars more in budget balancing solutions will have to be pursued.

The LAO agrees that the proposed changes to education finance could overcome some of the fundamental shortcomings that are known to exist in the State's existing system, and recommends that the Legislature adopt such proposals with certain modifications. However, the LAO notes that the proposed trigger plan in the event that the tax initiative is not approved could create much uncertainty for schools in 2012-13 as they build their 2012-13 budgets, and recommends that the Legislature be deliberate in identifying the trigger reductions.

LAO 2012-13 Budget Update – February 27, 2012. The LAO reports that both economic and revenue data is providing uncertain signals, with improving employment growth and possible increase in tax revenues (due to potential initial public offering of Facebook, Inc. stock) countering recent weakness in income tax payments and continuing problems in the housing market. The LAO notes that ongoing negative trends have weakened some parts of the LAO's near-term revenue forecasts, which were already less optimistic than the Governor's revenue forecasts. If the LAO's revenue forecast proves to be more accurate than the State administration, the Legislature and the Governor will have to identify additional budgetary solutions to bring the 2012-13 State spending plan into balance.

May Revision. On May 14, 2012, Governor Brown issued his proposed May Revision of the 2012-13 State Budget. The May Revision estimated that the State budget deficit had increased from $9.2 billion to $15.7 billion, and predicted that, absent actions to eliminate the State's structural deficit, the State would face approximately an $8 billion budget shortfall each year. The increase in the amount of the State budget deficit was attributed to an overly optimistic forecast of revenue to be received by April 2012 (which is tied to an ongoing modest economic recovery), year-over-year increases in Proposition 98 funding for K-14 education, and the U.S. Federal Government and certain courts rejecting certain cuts proposed in the Governor's initial State Budget. The May Revision proposed $16.7 billion in aggregate budget balancing measures and to build a $1 billion reserve. Under the May Revision, forthcoming budgets would be balanced on an ongoing basis, thereby enabling the State to pay down $33 billion in outstanding borrowing that has accumulated since 2002. The May Revision suggests that the State's outstanding debt could be reduced to $6.6 billion by the end of fiscal year 2015-16.

To bridge the State budget gap, the Governor proposed an additional $4.1 billion in spending reductions, including (i) shifting of the source of payment for local trial courts, (ii) implementing various reductions to hospital, nursing home and in home care funding, (iii) establishing standards for participation in the Cal Grant Program, (iv) reducing the cost of state employee compensation by 5% through a reduced workweek or a commensurate reduction ion work hours and pay, (v) transferring cash assets previously held by redevelopment agencies to cities, counties and special districts to fund core public services, (vi) using proceeds from the National Mortgage Settlement to offset existing State general fund costs, and (vii) making various other adjustments.

The May Revision also assumes passage of the Governor's proposed revenue-generating initiatives at the November 2012 election. The Governor's measures increase the personal income tax on the State's highest income generating taxpayers for seven years and increase the State sales tax by .25% for four years, guaranteeing the revenue generated thereby will be allocated to schools. If the Governor's measures were to fail, the May Revision provides for an additional $6.1 billion in trigger cuts, effective January 1, 2013, which are to include, a $5.5 billion reduction in funding for schools and community colleges (equivalent to the cost of three weeks instruction), $250 million reductions to each of the University of California and California State University, and reductions to numerous public safety programs. The May Revision also notes that, even assuming passage of the Governor's measures, the State may face long-term cost increases that could take future budgets out of balance, including, but not limited to, costs associated with actions to reduce the Federal deficit, Federal government and court decisions, the pace of economic recovery, an aging population and rising health care costs.

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 budget proposal could be approved by the end of March.

The State has not entered into any contractual commitment with the District, the County, or the Owners of the Refunding Bonds to provide State budget information to the District or the owners of the Refunding Bonds. Although they believe the State sources of information listed above are reliable, the District does not assume any responsibility for the accuracy of the State Budget information set forth or referred to in this Official Statement or incorporated herein. However, the Refunding Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in recent years, and is likely to be further challenged in the future. The District cannot predict how any pending or future litigation could change how school finance is implemented in the State.

Short-Term Borrowing

The District has no short-term debt outstanding.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Refunding Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. The provisions of law discussed below are included in this section to describe the potential effect of Constitutional and statutory measures on the ability of the County to levy taxes and spend tax proceeds for operating and other purposes. It should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Refunding Bonds. The tax levied by the County for payment of the Refunding Bonds was approved by the District's voters in compliance with 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 indebtedness approved by the voters prior to July 1, 1978 and (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. 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 has occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

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

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 two percent 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. The "recapture" provision described above continues to be 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 State Board of Equalization ("**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 will 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, (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 will 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 will be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution.

Article XIIIB will not impact the District's ability to pay debt service on the Refunding Bonds.

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 Refunding 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 *Santa Barbara 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.

Proposition 62 does not affect the *ad valorem* property taxes to be levied by the County to pay debt service on the Refunding Bonds.

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.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 39, 62, 98 and 111 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

GENERAL INFORMATION ABOUT THE CITIES OF BRENTWOOD, OAKLEY AND CONTRA COSTA COUNTY

The following information concerning the County and surrounding areas are included only for the purpose of supplying general information regarding the community. The Refunding Bonds are not a debt of Brentwood, Oakley, the County, the State, or any of its political subdivisions and neither the Brentwood, Oakley, the County, the State, nor any of its political subdivisions is liable therefor. See the section herein entitled "SECURITY FOR THE REFUNDING BONDS."

City of Brentwood. The City of Brentwood ("**Brentwood**") is located in eastern Contra Costa County (the "**County**") across the San Francisco Bay approximately 45 miles northeast of San Francisco, 65 miles southwest of Sacramento and 10 miles east of the City of Antioch. Brentwood contains approximately 8.65 square miles in total area and has a population which has increased significantly in recent years.

Brentwood was first settled by farmers in 1878 and was incorporated in 1948. Until the past decade, Brentwood had retained its agricultural orientation. In recent years, new residential subdivisions and substantial commercial growth have transformed Brentwood into a more suburban environment, as evidenced by its rapid population growth. Land uses in and around Brentwood are characterized by older farming districts known as the "agricultural core" and an original downtown area, contrasted with rapidly expanding residential neighborhoods in the peripheral areas of Brentwood.

City of Oakley. The City of Oakley ("**Oakley**") is situated in the eastern portion of Contra Costa County, along the shore of the Sacramento-San Joaquin Delta, near the cities of Pittsburg, Antioch, and Brentwood. Close to the junction of Highways 4 and 160, with access to San Francisco, the Silicon Valley, and the state capital at Sacramento, Oakely is equidistant from both San Francisco and Sacramento at 55 miles. Oakley's leadership works to maintain Oakley's small town character while strongly encouraging the development of new industries to employ the growing local workforce.

Both Brentwood and Oakley enjoy close proximity to major regional employment areas, including San Francisco and the northern Bay Area, Walnut Creek and the San Ramon corridor in Contra Costa County and the Stockton and central San Joaquin Valley area to the east. Brentwood and Oakley also enjoys close proximity to major regional recreation areas, including Mt. Diablo State Park approximately 25 miles to the west, the Sierra Nevada Mountains 90 miles to the east and the Sacramento Delta waterway to the north. Interstate Highway 680, a 20-minute drive from the area, and California Highway 4, which runs through Brentwood and Oakley, provide convenient access to Brentwood and Oakley.

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

The County is home to more than 1,065,000 people and thousands of businesses who are served by 18 cities, 201 special districts and the County. The County also provides municipal services for residents of the unincorporated areas.

Population

The following chart indicates a five year history of population estimates for the County, cities within the County, and the State of California for the past five years.

CONTRA COSTA COUNTY
POPULATION DATA

	2008	2009	2010	2011	2012
Antioch	99,988	101,041	102,330	103,055	103,833
Brentwood	50,580	51,950	52,492	52,030	52,575
Clayton	10,777	10,873	10,962	10,942	10,996
Concord	123,693	124,703	125,864	122,599	123,206
Danville	42,601	43,080	43,574	42,217	42,450
El Cerrito	23,306	23,461	23,666	23,649	23,774
Hercules	24,306	24,499	24,693	24,153	24,272
Lafayette	23,945	24,106	24,342	24,024	24,159
Martinez	36,121	36,378	36,663	36,055	36,225
Moraga	16,127	16,216	16,332	16,076	16,152
Oakley	33,189	34,500	35,646	35,998	36,532
Orinda	17,531	17,687	17,866	17,714	17,819
Pinole	19,259	19,400	19,555	18,461	18,560
Pittsburg	63,351	63,827	64,967	63,735	64,706
Pleasant Hill	33,356	33,576	33,844	33,280	33,440
Richmond	103,895	104,602	105,630	104,382	104,887
San Pablo	31,170	31,834	32,131	28,931	29,105
San Ramon	61,184	63,230	64,860	73,111	74,378
Walnut Creek	65,263	65,915	66,584	64,710	65,233
Balance Of County	168,543	170,447	171,054	161,184	162,815
County Total	1,048,185	1,061,325	1,073,055	1,056,306	1,065,117

Source: State of California, Department of Finance, as of January 1.

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 Brentwood, Oakley, the County, the State and the United States for the period 2007 through 2011.

Effective Buying Income
As of January 1, 2007 through 2011

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2007	City of Brentwood	$1,252,618	$68,129
	City of Oakley	590,833	62,823
	Contra Costa County	30,138,295	61,123
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of Brentwood	$1,253,500	$68,619
	City of Oakley	645,613	64,471
	Contra Costa County	30,737,690	61,903
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Brentwood	$1,280,943	$69,706
	City of Oakley	715,930	66,308
	Contra Costa County	31,197,703	64,213
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Brentwood	$1,282,940	$65,779
	City of Oakley	692,232	61,679
	Contra Costa County	30,049,698	61,031
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Brentwood	$1,207,278	$65,178
	City of Oakley	711,553	60,988
	Contra Costa County	30,416,350	60,777
	California	814,578,458	47,062
	United States	6,438,704,664	41,253

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

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, data for 2009 is not comparable to that of prior years. Summaries of historic taxable sales within the City of Brentwood, the City of Oakley and the County of Contra Costa during the past five years in which data is available are shown in the following tables.

Brentwood. Total taxable sales during calendar year 2010 in Brentwood were reported to be $471.0 million, a 5.8% increase over the total taxable sales of $444.0 million reported during calendar year 2009. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in Brentwood is presented in the following table. Figures are not yet available for 2011.

CITY OF BRENTWOOD
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
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) Data not comparable to prior years.
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Oakley. Total taxable sales during calendar year 2010 in Oakley were reported to be \$124.3 million, an 7.6% increase over the total taxable sales of \$115.5 million reported during calendar year 2009. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in Brentwood is presented in the following table. Figures are not yet available for 2011.

CITY OF OAKLEY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2006	172	\$95,097	378	\$110,243
2007	187	107,320	393	135,111
2008	198	105,307	398	125,877
2009 (1)	278	86,700	394	115,462
2010 (1)	290	92,756	407	124,283

(1) Data not comparable to prior years.
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales during calendar year 2010 in the County were reported to be \$11.95 billion, a 0.6% increase over the total taxable sales of \$11.88 billion 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. Figures are not yet available for 2011.

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

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
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) Data not comparable to prior years.
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Employment and Industry

The unemployment rate in the Oakland-Fremont-Hayward metropolitan district, which includes all of Contra Costa County, was 9.8% in March 2012, up from a revised 9.6% in February 2012, but below the year-ago estimate of 10.7%. This compares with an unadjusted unemployment rate of 11.5% for California and 8.4% for the nation during the same period. The unemployment rate was 9.7% in Alameda County, and 9.9% in Contra Costa County.

The following table summarizes the annual average civilian labor force, employment and unemployment in the County for the calendar years 2007 through 2011.

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

	2007	2008	2009	2010	2011
Civilian Labor Force (1)	1,261,400	1,282,100	1,285,800	1,284,600	1,285,000
Employment	1,202,200	1,203,000	1,152,700	1,140,600	1,151,600
Unemployment	59,300	79,100	133,100	143,900	133,400
Unemployment Rate	4.7%	6.2%	10.4%	11.2%	10.4%
Wage and Salary Employment: (2)					
Agriculture	1,500	1,400	1,400	1,400	1,600
Mining and Logging	1,200	1,200	1,200	1,200	1,200
Construction	71,700	64,900	53,500	47,400	46,300
Manufacturing	94,400	93,100	82,800	79,700	79,000
Wholesale Trade	48,700	47,600	43,700	41,800	42,000
Retail Trade	113,300	109,400	102,100	100,300	100,300
Transportation, Warehousing, Utilities	37,300	35,900	33,200	31,500	31,600
Information	29,000	27,800	25,300	23,600	22,700
Finance and Insurance	41,100	36,200	32,500	33,000	32,600
Real Estate and Rental and Leasing	17,000	16,500	15,500	15,200	14,700
Professional and Business Services	158,200	162,400	148,700	152,100	154,200
Educational and Health Services	128,300	133,000	137,200	136,400	137,500
Leisure and Hospitality	88,000	89,100	85,100	85,800	87,300
Other Services	36,200	36,100	34,700	35,000	35,900
Federal Government	17,100	17,100	16,700	15,700	14,600
State Government	44,500	39,100	39,000	38,100	36,700
Local Government	122,300	121,100	116,900	111,500	109,500
Total, All Industries (3)	1,049,700	1,049,700	1,031,800	969,400	949,700

(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.

Major Employers

The following table lists the largest employers within the County, excluding school districts.

CONTRA COSTA COUNTY
Major Employers
(As of January 2012 - Listed Alphabetically)

Employer Name	Location	Industry
Bay Area Rapid Transit	Richmond	Transit Lines
Bayer Health Care Phrmctcls	Richmond	Laboratories-Pharmaceutical (Mfrs)
Bio-Rad Laboratories Inc	Hercules	Laboratory Analytical Instruments (Mfrs)
California State Auto Association	Walnut Creek	Automobile Clubs
Chevron Corp	San Ramon	Petroleum Products-Manufacturers
Chevron Global Downstream LLC	San Ramon	Petroleum Products (Whls)
Concord Naval Weapons Station	Concord	Federal Government-National Security
Contra-Costa Regional Med Ctr	Martinez	Hospitals
Department of Veterans Affairs	Martinez	Physicians & Surgeons
Doctor's Medical Ctr	San Pablo	Hospitals
John Muir Medical Ctr- Walnut	Walnut Creek	Hospitals
John Muir Medical Ctr	Concord	Hospitals
John Muir Physical Rehab	Concord	Rehabilitation Services
Kaiser Permanente Medical- Walnut Creek	Walnut Creek	Hospitals
Kaiser Permanente Medical- Martinez	Martinez	Clinics
La Raza Market	Richmond	Grocers-Retail
MuirLab	Walnut Creek	Laboratories-Medical
Richmond City Offices	Richmond	Government Offices
PMI Group Inc	Walnut Creek	Insurance-Bonds
Richmond City Offices	Richmond	Government Offices-City, Village & Twp
Robert Half International	San Ramon	Employment Contractors
San Ramon Regional Medical Ctr	San Ramon	Hospitals
Shell Oil Products Co	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)
VA Outpatient Clinic	Martinez	Physicians & Surgeons

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

Construction Activity

The following tables show a summary of the valuation of building permits issued in Brentwood, Oakley and the County for the last five years.

CITY OF BRENTWOOD
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2006	2007	2008	2009	2010
Permit Valuation					
New Single-family	$113,336.8	$77,461.3	$7,512.4	$18,696.4	$33,748.2
New Multi-family Res.	977.5	0.0	0.0	0.0	0.0
Alterations/Additions	2,522.4	2,039.1	1,087.2	1,091.6	1,227.0
Total Residential	116,836.7	79,500.4	8,599.6	19,788.0	34,975.2
New Commercial	26,706.0	26,986.3	10,373.4	3,771.6	0.0
New Industrial	1,858.2	614.9	0.0	0.0	0.0
New Other Com.	9,306.5	6,448.5	2,597.2	1,168.4	1,359.8
Alterations/Additions	5,507.9	6,783.3	7,268.0	2,426.1	1,909.5
Total Nonresidential	$43,378.6	$40,833.0	20,238.6	7,366.1	3,269.6
New Dwelling Units					
Single Family	482	357	37	87	167
Multiple Family	20	0	0	0	0
TOTAL	502	357	37	87	167

CITY OF OAKLEY
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2006	2007	2008	2009	2010
Permit Valuation					
New Single-family	$201,692.2	$98,567.0	$55,449.4	$60,170.8	$43,185.8
New Multi-family	0.0	25,462.2	4,003.9	0.0	3,309.6
Res. Alterations/Additions	2,063.2	2,206.5	929.8	1,464.8	1,105.0
Total Residential	203,755.5	126,235.8	60,383.1	61,635.6	47,600.4
New Commercial	616.5	8,586.9	0.0	0.0	0.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	4,959.4	5,991.6	2,216.4	1,586.5	966.2
Com. Alterations/Additions	737.4	1,568.0	251.0	1,444.9	795.7
Total Nonresidential	$6,313.3	$16,146.5	2,467.4	3,031.4	1,761.9
New Dwelling Units					
Single Family	607	291	163	210	166
Multiple Family	0	262	54	0	44
TOTAL	607	553	217	210	210

CONTRA COSTA COUNTY
Building Permit Valuation
(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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[closing date]

Board of Trustees
Liberty Union High School District
20 Oak Street
Brentwood, CA 94513

OPINION: $26,220,000 Liberty Union High School District, 2012 General Obligation Refunding Bonds

Members of the Board of Trustees:

We have acted as bond counsel to the Liberty Union High School District (the "District") in connection with the issuance by the District of its Liberty Union High School District (Contra Costa County, California), 2012 General Obligation Refunding Bonds in the aggregate principal amount of $26,220,000 (the "Refunding Bonds"), pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a resolution of the Board of Trustees of the District (the "Board") adopted on May 23, 2012 (the "Resolution"), and a Paying Agent Agreement, dated as of July_ 1, 2012, between the District and The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent Agreement"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

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

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is duly established and validly existing as a union high school district with the power to adopt the Resolution, to enter into the Paying Agent Agreement, to issue the Refunding Bonds, and to perform its obligations under the Resolution and the Paying Agent Agreement.

2. The Resolution has been duly approved by the Board, and the Paying Agent Agreement constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

3. The Refunding Bonds have been duly authorized, executed and delivered by the District, are valid and binding general obligations of the District, and the Board of Supervisors of Contra Costa County is obligated under the laws of the State of California to cause to be

levied a tax without limit as to rate or amount upon the taxable property in the District for the payment when due of the principal of and interest on the Refunding Bonds.

4. Interest on the Refunding Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Code which must be satisfied subsequent to the issuance of the Refunding Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Resolution, the Paying Agent Agreement, and in other instruments relating to the Refunding Bonds, to comply with each of such requirements; and the District has full legal authority to make and comply with such covenants. Failure to comply with certain of such requirements may cause the inclusion of interest on the Refunding Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Refunding Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Refunding Bonds.

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

The rights of the owners of the Refunding Bonds and the enforceability of the Refunding Bonds, the Paying Agent Agreement and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF
CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the Liberty Union High School District (the "District") in connection with the issuance of the Liberty Union High School District 2012 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued under a Resolution adopted by the Board of Trustees of the District on May 23, 2012 (the "Bond Resolution"). The District hereby 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 Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

"*Annual Report Date*" means the date that is nine months after the end of the District's fiscal year (currently March 31 based on the District's fiscal year end of June 30).

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

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the Bonds.

"*Participating Underwriter*" means Robert W. Baird & Co., Inc., the original underwriter of the Bonds, required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means 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 the Annual Report Date, commencing March 31, 2013 with the report for the 2011-12 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Participating Underwriter.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; 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 pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following documents and information:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the Annual Report shall contain information showing:

(i) the average daily attendance in District schools on an aggregate basis for the preceding fiscal year;

(ii) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowings of the District as of the end of the preceding fiscal year;

(iii) description of amount of general fund revenues and expenditures which have been budgeted for the current fiscal year, together with audited actual budget figures for the preceding fiscal year;

(iv) prior fiscal year total secured property tax levy and collections, showing current collections as a percent of the total levy, if the District is not a participant in the Teeter Plan; and

(v) current fiscal year assessed valuation of taxable properties in the District, and top ten taxpayers for the current fiscal year.

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

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. 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, if material:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions or events affecting the tax-exempt status of the security.

(7) Modifications to rights of security holders.

(8) Contingent or unscheduled bond calls.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above 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 under the Resolution.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States 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 District, or if such jurisdiction has been assumed by leaving the existing governing 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 District.

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

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

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 9. 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 Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

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

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and 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 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer:	Liberty Union High School District 20 Oak Street Brentwood, CA 94513 Fax: (925) 634-1687
To the Dissemination Agent:	KNN Public Finance 1333 Broadway, Suite 1000 Oakland, CA 94612
To the Participating Underwriter:	Robert W. Baird & Co., Inc 1 Harding Rd # 207 Red Bank, NJ 07701

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. 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.

Date: _______________, 2012

LIBERTY UNION HIGH SCHOOL DISTRICT

By: ___________________________________
Superintendent

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Liberty Union High School District (the "District")
Name of Bond Issue:	Liberty Union High School District (Contra Costa County, California) 2012 General Obligation Refunding Bonds
Date of Issuance:	____________, 2012

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution authorizing the issuance of the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated: ____________________

LIBERTY UNION HIGH SCHOOL DISTRICT

By: ______________________________
Its: ______________________________

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

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 "Issuer") 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *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 Issuer 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 Issuer 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 Issuer, 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 Issuer 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 Issuer 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. Issuer 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 Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

[THIS PAGE INTENTIONALLY LEFT BLANK]

LIBERTY UNION HIGH SCHOOL DISTRICT (CONTRA COSTA COUNTY, CALIFORNIA) • 2012 GENERAL OBLIGATION REFUNDING BONDS

Printed by: ImageMaster
www.ImageMaster.com