NEW ISSUE—BOOK-ENTRY ONLY

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

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

$12,500,000
PITTSBURG UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
General Obligation Bonds,
Election of 2010, Series D (2014)

$9,985,000
PITTSBURG UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
2014 General Obligation Refunding Bonds

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

The $12,500,000 Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2010, Series D (2014) (the "Series D Bonds") are being issued by the Pittsburg Unified School District (the "District") pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code and a resolution of the Board of Trustees of the District (the "Board"). The Series D Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on November 7, 2010, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of $100,000,000 (the "2010 Authorization"), and (b) pay for costs of issuance of the Bonds. The District has previously issued three series of bonds under the 2010 Authorization, totaling $68,003,162.75. The Series D Bonds constitute the fourth issue of bonds under the 2010 Authorization. The Series D Bonds will be issued as current interest bonds.

The $9,985,000 Pittsburg Unified School District (Contra Costa County, California) 2014 General Obligation Refunding Bonds (the "Refunding Bonds" and, with the Series D Bonds, the "Bonds") are being issued by the District pursuant to Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code and a resolution of the Board. The Refunding Bonds are being issued to (a) refund, on a current basis, (i) a portion of the outstanding Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2004, Series A (the "2004A Bonds"), and (ii) the outstanding Pittsburg Unified School District (Contra Costa County, California) 2005 General Obligation Refunding Bonds (the "2005 Bonds"), and (b) pay for costs of issuance of the Refunding Bonds. The 2004A Bonds were issued to finance educational facilities. The 2005 Bonds were issued to refund certain prior bonds issued to finance educational facilities. The Refunding Bonds will be issued as current interest bonds.

The Bonds constitute general obligations of the District. The Board of Supervisors of Contra Costa County is empowered and obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of interest on, and principal of, the Bonds upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), all as more fully described herein under "THE BONDS" and "AD VALOREM PROPERTY TAXATION."

The Bonds are issuable in denominations of $5,000 and any integral multiple thereof. Interest on the Series D Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2014. Interest on the Refunding Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2014. See "THE BONDS" herein. The Bonds will be delivered in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent"), to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

SEE THE INSIDE COVER

This cover page and the inside cover page contain information for quick reference only. They are not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued, and received by the Underwriter, subject to the approval as to their validity by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, Disclosure Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about April 22, 2014.

George K. Baum & Company

April 8, 2014

$12,500,000
PITTSBURG UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
General Obligation Bonds,
Election of 2010, Series D (2014)

$3,400,000 Serial Bonds

CUSIP† Prefix: 724581

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix	Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix
2015	$135,000	2.000%	0.300%	NT6	2025	$150,000	5.000%	3.060%c	PD9
2016	25,000	2.000	0.550	NU3	2026	165,000	5.000	3.220c	PE7
2017	25,000	2.000	0.870	NV1	2027	200,000	5.000	3.360c	PF4
2018	25,000	2.000	1.200	NW9	2028	225,000	5.000	3.450c	PG2
2019	50,000	2.000	1.540	NX7	2029	250,000	5.000	3.540c	PH0
2020	50,000	3.000	1.920	NY5	2030	275,000	3.500	3.870	PJ6
2021	75,000	3.000	2.210	NZ2	2031	300,000	3.625	3.940	PK3
2022	100,000	4.000	2.490	PA5	2032	350,000	3.750	4.010	PL1
2023	100,000	4.000	2.710	PB3	2033	375,000	4.000	4.080	PM9
2024	125,000	4.000	2.900	PC1	2034	400,000	4.000	4.130	PN7

$1,600,000 4.000% Term Bonds maturing August 1, 2037; Price: 97.042%, to yield 4.200%; CUSIP† 724581 PP2

$2,100,000 4.125% Term Bonds maturing August 1, 2040; Price: 97.255%, to yield 4.300%; CUSIP† 724581 QG1

$5,400,000 5.000% Term Bonds maturing August 1, 2043; Price: 106.614%, to yield 4.200c%; CUSIP† 724581 PQ0

$9,985,000
PITTSBURG UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
2014 General Obligation Refunding Bonds

CUSIP† Prefix: 724581

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix	Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix
2014	$600,000	3.000%	0.250%	PR8	2021	$ 615,000	3.000%	2.210%	PY3
2015	505,000	4.000	0.300	PS6	2022	640,000	5.000	2.490	PZ0
2016	525,000	4.000	0.550	PT4	2023	295,000	5.000	2.710	QA4
2017	545,000	4.000	0.870	PU1	2024	305,000	5.000	2.900	QB2
2018	570,000	2.000	1.200	PV9					
2019	585,000	2.000	1.540	PW7	2027	1,310,000	4.000	3.500c	QC0
2020	405,000	3.000	1.920	QF3	2028	1,400,000	3.375	3.700	QD8
2020	185,000	5.000	1.920	PX5	2029	1,500,000	3.500	3.790	QE6

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c Yield to the 8/1/2024 par call date.

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

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

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

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

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

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

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

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

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

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PITTSBURG UNIFIED SCHOOL DISTRICT
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BOARD OF TRUSTEES

George H. Miller, *President*
Duane Smith, *Vice President*
Joe Arenivar, *Trustee*
Laura H. Canciamilla, *Trustee*
Vincent S. Ferrante, *Trustee*

DISTRICT ADMINISTRATION
Linda K. Rondeau, *Superintendent*
Enrique Palacios, *Deputy Superintendent*

PROFESSIONAL SERVICES

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Larkspur, California

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

PAYING AGENT, TRANSFER AGENT,
AUTHENTICATION AGENT and ESCROW BANK
The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

$12,500,000
PITTSBURG UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
General Obligation Bonds,
Election of 2010, Series D (2014)

$9,985,000
PITTSBURG UNIFIED SCHOOL DISTRICT
(Contra Costa County, California)
2014 General Obligation Refunding Bonds,

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of $12,500,000 Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2010, Series D (2014) (the "Series D Bonds"), and the $9,985,000 Pittsburg Unified School District (Contra Costa County, California) 2014 General Obligation Refunding Bonds (the "Refunding Bonds" and, with the Series D Bonds, the "Bonds").

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

The District

The District includes approximately 25 square miles in the northern part of Contra Costa County (the "County") and provides educational services (K-12) services to the residents of most of the City of Pittsburg (the "City"). The District operates eight elementary schools, three junior high schools, one high school and one continuing education high school, serving over 10,700 students. The District additionally provides Adult Education, Independent Study and Preschool Services. The estimated population of the District is 55,814. The District is under the authority of the Contra Costa County Office of Education.

For more complete information concerning the District, including certain financial information, see "THE DISTRICT" and "APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION." The District's audited financial statements for the fiscal year ended June 30, 2013, are included as APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013.

Sources of Payment for the Bonds

The Bonds represent general obligations of the District payable solely from *ad valorem* property taxes levied and collected by the County. The Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property in the District subject to taxation by the District without limitation of rate or amount (except

certain personal property which is taxable at limited rates). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

Authority for Issues; Purpose of Issue

Series D Bonds. The Series D Bonds are issued pursuant to the Constitution and laws of the State of California (the "State"), including the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code. The Bonds are authorized to be issued pursuant to a resolution (the "Series D Bond Resolution"), adopted by the board of trustees of the District (the "District Board") on March 12, 2014.

The Series D Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on November 7, 2010, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of $100,000,000 (the "2010 Authorization"), and (b) pay for costs of issuance of the Bonds.

The District has previously issued its General Obligation Bonds, Election of 2010, Series A (2011) in the original principal amount of $24,999,952, its Taxable General Obligation Bonds, Election of 2010, Series B (2012) (Direct Payment Qualified School Construction Bonds) in the principal amount of $25,000,000 (the "Series B Bond"), and its General Obligation Bonds, Election of 2010, Series C (2012) in the original principal amount of $18,003,210.75 under the 2010 Authorization. The Bonds will be the fourth issue under the 2010 Authorization.

Refunding Bonds. The Refunding Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code. The Refunding Bonds are authorized to be issued pursuant to a resolution (the "Refunding Bond Resolution"), adopted by the District Board on March 12, 2014.

The Refunding Bonds are being issued to (a) refund, on a current basis, (i) the outstanding Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2004, Series A, maturing on August 1, 2029 (the "2004A Bonds"), and (ii) the outstanding Pittsburg Unified School District (Contra Costa County, California) 2005 General Obligation Refunding Bonds (the "2005 Bonds"), and (b) pay for costs of issuance of the Bonds.

Description of the Bonds

The Bonds are being issued as current interest bonds. The Bonds will be dated as of their date of delivery, will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. Interest on the Bonds accrues from their date of delivery and is payable semiannually on each February 1 and August 1 (each an "Interest Payment Date"), commencing August 1, 2014.

The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth on the inside cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" and APPENDIX G—

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

Certain of the Bonds are subject to redemption prior to maturity. See "THE BONDS—Redemption."

Tax Matters

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

Offering and Delivery

The Bonds are offered when, as and if issued and received by George K. Baum & Company (the "Underwriter"), subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about April 22, 2014.

Continuing Disclosure

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

Other Information

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

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

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

THE BONDS

Authority for Issuance

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

Refunding Bonds. The Refunding Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code. The Refunding Bonds are authorized pursuant to the Refunding Bond Resolution.

Purposes of Issuance

Series D Bonds. The Series D Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the 2010 Authorization, and (b) pay for costs of issuance of the Series D Bonds. See "—Sources and Uses of Funds."

Refunding Bonds. The Refunding Bonds are being issued to (a) refund the 2004A Bonds and the 2005 Bonds, and (b) pay for costs of issuance of the Refunding Bonds. See "—Sources and Uses of Funds" and "—Plan of Refunding."

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

Security

The Bonds represent general obligations of the District payable solely from *ad valorem* property taxes levied and collected. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes for the payment of the Bonds, and the interest thereon, upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes are required to be levied annually, in addition to all other taxes, during the period that the Bonds are outstanding in an amount sufficient to pay the principal of or interest on the Bonds when due. Such taxes, when collected, will be deposited, with respect to the Bonds, into the Interest and Sinking Fund and which is required by the California Education Code to be applied for the payment of principal of or interest on the Bonds when due. Although the County is obligated to

levy an *ad valorem* tax for the payment of the Bonds, and the County Treasurer-Tax Collector will maintain the Interest and Sinking Fund, the Bonds are a debt of the District, not the County.

The moneys in the Interest and Sinking Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred by the County, through the County Treasurer-Tax Collector, to the Paying Agent (hereinafter defined) which, in turn, will pay such moneys to DTC to pay the principal of and interest on the Bonds. DTC will thereupon make payments of principal and interest on the Bonds to the DTC Participants who will thereupon make payments of principal and interest to the Beneficial Owners (as defined herein) of the Bonds.

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

Description of the Bonds

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See "Book-Entry Only System" and APPENDIX G—BOOK-ENTRY ONLY SYSTEM.

Interest with respect to the Bonds accrues from their date of delivery and is payable semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing August 1, 2014. Interest on the Bonds accrues on the basis of a 360-day year comprised of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to that Interest Payment Date, inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before July 15, 2014, in which event it will bear interest from their date of delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on the dates, in the years and amounts set forth on the inside cover page hereof. The principal of and interest on the Bonds will be payable by check or draft mailed by first-class mail, in lawful money of the United State of America upon presentation and surrender of such Bond at the office of the Paying Agent. See also "Book Entry Only System" below.

See the maturity schedule on the cover page hereof and "DEBT SERVICE SCHEDULES—Bonds."

Payment

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

Redemption

Series D Bonds

Optional Redemption. The Series D Bonds maturing on and prior to August 1, 2024, are not callable for redemption prior to their stated maturity date. The Series D Bonds maturing on and after August 1, 2025, are callable for redemption prior to their stated maturity date at the option of the District, in whole or in part on any date on or after August 1, 2024 (in such maturities as are designated by the District, or, if the District fails to designate such maturities, on a proportional basis), from any source lawfully available therefor, at a redemption price equal to the principal amount of the Series D Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

Sinking Fund Redemption. The Series D Bonds maturing on August 1, 2037, are also subject to mandatory sinking fund redemption in part by lot on August 1, 2035, and on each August 1 thereafter, to and including August 1, 2037, from Mandatory Sinking Account Payments made by the District at a redemption price equal to the principal amount thereof, without premium, in the aggregate respective amounts and on the respective dates as set forth in the following table.

Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed
2035	$455,000
2036	545,000
2037†	600,000

†Maturity

The Series D Bonds maturing on August 1, 2040, are also subject to mandatory sinking fund redemption in part by lot on August 1, 2038, and on each August 1 thereafter, to and including August 1, 2040, from Mandatory Sinking Account Payments made by the District at a redemption price equal to the principal amount thereof, without premium, in the aggregate respective amounts and on the respective dates as set forth in the following table.

Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed
2038	$640,000
2039	700,000
2040†	760,000

†Maturity

The Series D Bonds maturing on August 1, 2043, are also subject to mandatory sinking fund redemption in part by lot on August 1, 2041, and on each August 1 thereafter, to and including August 1, 2043, from Mandatory Sinking Account Payments made by the District at a redemption price equal to the principal amount thereof, without premium, in the aggregate respective amounts and on the respective dates as set forth in the following table.

Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed
2041	$1,505,000
2042	1,865,000
2043†	2,030,000

†Maturity

Refunding Bonds

Optional Redemption. The Refunding Bonds maturing on and prior to August 1, 2024, are not callable for redemption prior to their stated maturity date. The Refunding Bonds maturing on and after August 1, 2025, are callable for redemption prior to their stated maturity date at the option of the District, in whole or in part on any date on or after August 1, 2024 (in such maturities as are designated by the District, or, if the District fails to designate such maturities, on a proportional basis), from any source lawfully available therefor, at a redemption price equal to the principal amount of the Refunding Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

Selection of Bonds for Redemption. If less than all of the Bonds or are called for redemption, the particular Bonds or portions thereof to be redeemed shall be called in such order as shall be directed by the District and, in lieu of such direction, in inverse order of their maturity. Within a maturity, the Paying Agent shall select the Bonds for redemption by lot; *provided, however*, that the portion of any Bonds to be redeemed shall be in the principal amount of $5,000 or some integral multiple thereof and that, in selecting Bonds for redemption, the Paying Agent shall treat each Bonds as representing that number of Bonds which is obtained by dividing the principal amount of such Bonds by five thousand dollars.

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

with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

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

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

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

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

Effect of Redemption. Notice having been given as described above, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside for such purpose, the Bonds to be redeemed shall become due and payable on such date of redemption. If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become

payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the registered owners of the Bonds so to be redeemed. Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, and sufficient moneys are held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, then such Bonds shall no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Defeasance

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

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

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

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

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

Partial Defeasance

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

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

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

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

Registration, Transfer and Exchange of Bonds

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

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

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

In all cases of exchanged or transferred Bonds, the District will sign and the Paying Agent will authenticate and deliver Bonds in accordance with the provisions of the Resolution. All fees and costs of transfer will be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Bonds issued upon any exchange or transfer will be

valid obligations of the District, evidencing the same debt, and entitled to the same security and benefit under the Resolution as the Bonds surrendered upon that exchange or transfer.

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

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

Application and Investment of the Series D Bond Proceeds

The proceeds of sale of the Series D Bonds, exclusive of any premium and accrued interest received, shall be deposited in the County treasury to the credit of the Building Fund of the District. Any premium and accrued interest shall be deposited upon receipt in the interest and sinking fund of the District within the County Treasury. All funds held in the interest and sinking fund of the District shall be invested at the sole discretion of the County Treasurer. All funds held in the Building Fund of the District by the County Treasurer hereunder shall be invested at the County Treasurer's discretion, unless otherwise directed in writing by the District, pursuant to law and the investment policy of the County. In addition, at the written direction of the District, all or any portion of the Building Fund of the District may be invested in the Local Agency Investment Fund in the treasury of the State of California.

Sources and Uses of Funds

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

Sources of Funds:	
Principal Amount of Series D Bonds	$12,500,000.00
Plus: Net Original Issue Premium	393,429.15
Total Sources of Funds	$12,893,429.15
Uses of Funds:	
Deposit to Building Fund	$12,370,000.00
Deposit to Interest and Sinking Fund	330,929.15
Costs of Issuance [1]	192,500.00
Total Uses of Funds	$12,893,429.15

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

Refunding Bonds. The estimated sources and uses of funds in connection with the Refunding

Bonds are as follows:

Sources of Funds:	
Principal Amount of Refunding Bonds	$9,985,000.00
Plus: Net Original Issue Premium	435,148.80
Total Sources of Funds	$10,420,148.80
Uses of Funds:	
Deposit to 2004A Bonds Escrow Fund	$4,388,106.25
Deposit to 2005 Bonds Escrow Fund	5,898,415.31
Costs of Issuance [1]	133,627.24
Total Uses of Funds	$10,420,148.80

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

Refunding Plan

A portion of the proceeds from the sale of the Refunding Bonds will be deposited into an escrow fund (the "2004A Escrow Fund") to be created and maintained by The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank"), under an escrow deposit and trust agreement by and between the District and the Escrow Bank. The moneys deposited in the 2004A Escrow Fund will be in an amount sufficient to redeem the outstanding 2004A Bonds in full on May 9, 2014, at a redemption price equal to 100% of the principal amount of the 2004A Bonds, plus accrued interest to such date. The moneys deposited in the 2004A Escrow Fund will be held in cash, uninvested, until such redemption date.

A portion of the proceeds from the sale of the Refunding Bonds will be deposited into an escrow fund (the "2005 Escrow Fund") to be created and maintained by the Escrow Bank under an escrow deposit and trust agreement by and between the District and the Escrow Bank. The moneys deposited in the 2005 Escrow Fund will be in an amount sufficient to redeem the outstanding 2005 Bonds in full on May 9, 2014, at a redemption price equal to 100% of the principal amount of the 2005 Bonds, plus accrued interest to such date. The moneys deposited in the 2005 Escrow Fund will be held in cash, uninvested, until such redemption date.

Debt Service Schedules

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

Period Ending	Principal*	Interest [1]	Total Debt Service
8/1/14	—	$ 153,092.50	153,092.50
8/1/15	$ 135,000	556,700.00	691,700.00
8/1/16	25,000	554,000.00	579,000.00
8/1/17	25,000	553,500.00	578,500.00
8/1/18	25,000	553,000.00	578,000.00
8/1/19	50,000	552,500.00	602,500.00
8/1/20	50,000	551,500.00	601,500.00
8/1/21	75,000	550,000.00	625,000.00
8/1/22	100,000	547,750.00	647,750.00
8/1/23	100,000	543,750.00	643,750.00
8/1/24	125,000	539,750.00	664,750.00
8/1/25	150,000	534,750.00	684,750.00
8/1/26	165,000	527,250.00	692,250.00
8/1/27	200,000	519,000.00	719,000.00
8/1/28	225,000	509,000.00	734,000.00
8/1/29	250,000	497,750.00	747,750.00
8/1/30	275,000	485,250.00	760,250.00
8/1/31	300,000	475,625.00	775,625.00
8/1/32	350,000	464,750.00	814,750.00
8/1/33	375,000	451,625.00	826,625.00
8/1/34	400,000	436,625.00	836,625.00
8/1/35	455,000	420,625.00	875,625.00
8/1/36	545,000	402,425.00	947,425.00
8/1/37	600,000	380,625.00	980,625.00
8/1/38	640,000	356,625.00	996,625.00
8/1/39	700,000	330,225.00	1,030,225.00
8/1/40	760,000	301,350.00	1,061,350.00
8/1/41	1,505,000	270,000.00	1,775,000.00
8/1/42	1,865,000	194,750.00	2,059,750.00
8/1/43	2,030,000	101,500.00	2,131,500.00
TOTAL	$12,500,000	$13,315,292.50	$25,815,292.50

*Include sinking fund installments.

[1] Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2014.

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

Period Ending	Principal	Interest [1]	Total Debt Service
8/1/14	$ 600,000	$ 98,477.50	$ 698,477.50
8/1/15	505,000	340,100.00	845,100.00
8/1/16	525,000	319,900.00	844,900.00
8/1/17	545,000	298,900.00	843,900.00
8/1/18	570,000	277,100.00	847,100.00
8/1/19	585,000	265,700.00	850,700.00
8/1/20	590,000	254,000.00	844,000.00
8/1/21	615,000	232,600.00	847,600.00
8/1/22	640,000	214,150.00	854,150.00
8/1/23	295,000	182,150.00	477,150.00
8/1/24	305,000	167,400.00	472,400.00
8/1/25	—	152,150.00	152,150.00
8/1/26	—	152,150.00	152,150.00
8/1/27	1,310,000	152,150.00	1,462,150.00
8/1/28	1,400,000	99,750.00	1,499,750.00
8/1/29	1,500,000	52,500.00	1,552,500.00
TOTAL	$9,985,000	$3,259,177.50	$13,244,177.50

[1] Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2014.

PAYING AGENT

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

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

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. See APPENDIX G—BOOK-ENTRY SYSTEM.

THE DISTRICT

General Information

The District includes approximately 25 square miles in the northern part of the County and provides educational services (K-12) services to the residents of most of the City of Pittsburg. The District operates eight elementary schools, three junior high schools, one high school and one continuing education high school, serving over 10,700 students. The District additionally provides Adult Education, Independent Study and Preschool Services. The estimated population of the District is 55,814.

Board of Trustees

The District is governed by the Board, consisting of five trustees. Members are elected to four-year terms in staggered years. Elections for positions to the Board are held every two years, alternating between two and three available positions. The day-to-day operations are managed by a board-appointed Superintendent of Schools. Ms. Linda Rondeau has served in this capacity since July 1, 2010.

BOARD OF TRUSTEES
Pittsburg Unified School District

Name	Position	Expiration of Term
George H. Miller	President	December 2016
Duane Smith	Vice President	December 2014
Joe Arenivar	Trustee	December 2014
Laura Canciamilla	Trustee	December 2016
Vincent S. Ferrante	Trustee	December 2014

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

Average Daily Attendance and Base Revenue Limit

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

AVERAGE DAILY ATTENDANCE
Pittsburg Unified School District
Fiscal Years 2006-07 to 2013-14

Fiscal Year	Average Daily Attendance
2006-07	8,873
2007-08	8,847
2008-09	9,030
2009-10	9,079
2010-11	9,410
2011-12	9,843
2012-13	10,043
	Projected
2013-14	10,271

Source: Pittsburg Unified School District

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District, including the countywide tax of 1% of taxable value. When collected, the tax revenues will be deposited by the County in the District's Interest and Sinking Fund, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts levy property taxes for payment of voter-approved bonds and receive property taxes for general operating purposes as well. The District receives approximately 14% of its total operating revenues from local property taxes.

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer-tax collector, as ex officio treasurer of each school district located in the

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

Assessed Valuation of Property Within the District

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

For assessment and tax collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll."

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

The table below shows the assessed valuation in the District for fiscal years 2003-04 to 2013-14.

HISTORIC ASSESSED VALUATIONS
Pittsburg Unified School District
Fiscal Years 2003-04 to 2013-14

Fiscal Year	Local Secured	Utility	Unsecured	Total
2003-04	$ 3,026,762,656	$ 903,178,043	$ 665,665,114	$ 4,595,058,857
2004-05	3,223,861,392	709,590,099	619,930,721	4,553,382,212
2005-06	3,577,608,962	638,929,753	669,093,872	4,885,632,587
2006-07	4,242,668,038	529,088,058	688,977,202	5,460,733,298
2007-08	4,466,682,189	493,394,418	650,336,655	5,610,413,262
2008-09	4,217,830,090	515,631,604	725,978,921	5,459,440,615
2009-10	3,351,118,609	500,377,913	807,626,999	4,659,123,521
2010-11	3,236,198,324	501,224,377	859,764,935	4,597,187,636
2011-12	3,126,856,773	484,367,412	947,875,978	4,559,100,163
2012-13	3,039,565,829	450,503,649	1,017,650,212	4,507,719,690
2013-14	3,220,808,398	388,428,500	1,004,604,067	4,613,840,965

Source: California Municipal Statistics, Inc.

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

ASSESSED VALUATION AND PARCELS BY LAND USE
Pittsburg Unified School District
Fiscal Year 2013-14

	2013-14 Assessed Valuation [1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	$9,015,738	0.25%	27	0.17%
Commercial	188,668,774	5.23	269	1.71
Vacant Commercial	6,465,334	0.18	40	0.25
Industrial	586,965,755	16.26	152	0.96
Vacant Industrial	26,509,301	0.73	33	0.21
Recreational	191,264	0.01	1	0.01
Government/Social/Institutional	6,396,026	0.18	92	0.58
Power Plant/Utility Roll	388,428,500	10.76	13	0.08
Miscellaneous	12,618,768	0.35	39	0.25
Subtotal Non-Residential	$1,225,259,460	33.95%	666	4.22%
Residential:				
Single Family Residence	$2,011,974,600	55.75%	13,381	84.87%
Condominium/Townhouse	113,311,142	3.14	904	5.73
Mobile Home	4,922,567	0.14	287	1.82
2-4 Residential Units	50,732,007	1.41	355	2.25
5+ Residential Units/Apartments	200,235,895	5.55	58	0.37
Vacant Residential	2,801,227	0.08	115	0.73
Subtotal Residential	$2,383,977,438	66.05%	15,100	95.78%
Total	$3,609,236,898	100.00%	15,766	100.00%

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

The following table focuses on single-family residential properties only, which comprise approximately 55.75% of the assessed value of taxable property in the District. The average assessed value per parcel is $150,361, and the median assessed value per parcel is $149,500.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Pittsburg Unified School District
Fiscal Year 2013-14

	No. of Parcels	2013-14 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	13,381	$ 2,011,974,600	$ 150,361	$ 149,500

2013-14 Assessed Valuation	No. of Parcels [1]	% of Total	Cum. % of Total	Total Valuation	% of Total	Cum. % of Total
$0 - $24,999	16	0.12%	0.12%	$317,310	0.02%	0.02%
$25,000 - $49,999	635	4.746	4.865	26,100,416	1.297	1.313
$50,000 - $74,999	905	6.763	11.628	56,451,972	2.806	4.119
$75,000 - $99,999	1,420	10.612	22.24	124,879,567	6.207	10.326
$100,000 - $124,999	1,724	12.884	35.124	194,505,741	9.667	19.993
$125,000 - $149,999	2,006	14.991	50.116	276,068,005	13.721	33.714
$150,000 - $174,999	2,398	17.921	68.037	390,593,658	19.413	53.128
$175,000 - $199,999	1,771	13.235	81.272	330,619,125	16.433	69.56
$200,000 - $224,999	1,232	9.207	90.479	261,546,017	12.999	82.56
$225,000 - $249,999	428	3.199	93.678	99,969,049	4.969	87.528
$250,000 - $274,999	310	2.317	95.994	80,270,584	3.99	91.518
$275,000 - $299,999	164	1.226	97.22	46,514,541	2.312	93.83
$300,000 - $324,999	196	1.465	98.685	61,450,771	3.054	96.884
$325,000 - $349,999	133	0.994	99.679	45,017,521	2.237	99.122
$350,000 - $374,999	23	0.172	99.851	8,255,537	0.41	99.532
$375,000 - $399,999	8	0.06	99.91	3,055,030	0.152	99.684
$400,000 - $424,999	3	0.022	99.933	1,219,291	0.061	99.745
$425,000 - $449,999	2	0.015	99.948	857,800	0.043	99.787
$450,000 - $474,999	1	0.007	99.955	472,000	0.023	99.811
$475,000 - $499,999	2	0.015	99.97	975,393	0.048	99.859
$500,000 and greater	4	0.03	100	2,835,272	0.141	100
Total	13,381	100.00%		$2,011,974,600	100.00%	

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

The following table shows the 2013-14 assessed valuation of each jurisdiction with the boundaries of the District:

ASSESSED VALUATION BY JURISDICTION
Pittsburg Unified School District
Fiscal Year 2013-14

Jurisdiction	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Pittsburg	$4,495,767,008	97.44%	$ 5,547,147,574	81.05%
Unincorporated County	118,073,957	2.56	$ 31,317,338,356	0.38
Total District	$4,613,840,965	100.00%		
Contra Costa County	$4,613,840,965	100.00%	$147,071,434,253	3.14%

Source: California Municipal Statistics, Inc.

Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical Tax Rate Area ("TRA") within the District from fiscal year 2009-10 to fiscal 2013-14.

DEFINITIONS AND SUMMARY OF AD VALOREM TAX RATES
Pittsburg Unified School District
Fiscal Years 2009-10 to 2013-14

Typical Total Tax Rates (TRA 7-004 – 2013-14 Assessed Valuation: $2,027,530,328)

	2009-10	2010-11	2011-12	2012-13	2013-14
County-wide Rate[1]	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Bay Area Rapid Transit District	.0057	.0031	.0041	.0043	.0075
Contra Costa Community College District	.0126	.0133	.0144	.0087	.0133
Pittsburg Unified School District	.1066	.0848	.1443	.1487	.1391
East Bay Regional Park District	.0108	.0084	.0071	.0051	.0078
Total All Property	1.1357%	1.1096%	1.1699%	1.1668	1.1677
Total Land Only	.0048%	.0049%	.0051%	.0045%	.0042

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

Tax Levies and Delinquencies

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

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

SECURED TAX CHARGE AND DELINQUENCY
Pittsburg Unified School District
Fiscal Years 2008-09 to 2012-13

Fiscal Year	Secured Tax Charge	Amount Delinquent as of June 30	Percent Delinquent as of June 30
2008-09	2,649,861.72	145,038.33	5.47%
2009-10	4,031,354.09	133,092.67	3.30%
2010-11	3,123,729.04	53,034.98	1.70%
2011-12	5,119,907.45	75,155.27	1.47%
2012-13	5,102,094.30	54,743.04	1.07%

Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in section 4701 *et seq*. of the California Revenue and Taxation Code. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within the County, with the County retaining all penalties and interest penalties affixed upon delinquent properties and redemptions of subsequent collections. Under the Teeter Plan, the County apportions secured property taxes on a cash basis to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities. The County was one of the original Teeter Plan counties and its Teeter Plan has been in place more than 40 years.

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

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

Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2013-14, representing 30.94% of the total assessed valuation.

LARGEST LOCAL SECURED TAXPAYERS
Pittsburg Unified School District
Fiscal Year 2013-14

	Property Owner	Primary Land Use	2013-14 Assessed Valuation	% of Total [1]
1.	Delta Energy Center LLC	Power Plant	$ 300,728,500	8.33%
2.	USS Posco Industries	Industrial	244,399,244	6.77
3.	Dow Chemical Company	Industrial	129,145,456	3.58
4.	GenOn Delta, LLC	Power Plant	87,700,000	2.43
5.	Kirker Creek LLC	Apartments	68,107,724	1.89
6.	Sierra Pacific Properties Inc.	Apartments	63,536,730	1.76
7.	Fund VIII PR Pittsburg LLC	Apartments	25,464,470	0.71
8.	FRG Presidents Park III LLC	Apartments	22,569,644	0.63
9.	Delaware North Park LLC	Shopping Center	20,680,000	0.57
10.	Albert D. Seeno Construction Co.	Shopping Center	20,118,335	0.56
11.	RFI Portofino LLC	Apartments	17,562,333	0.49
12.	Union Carbide Industrial Gases Inc.	Industrial	15,873,945	0.44
13.	Wal-Mart Real Estate Business	Shopping Center	14,537,300	0.40
14.	Valero Logistics Operations	Industrial	14,237,375	0.39
15.	Public Storage Inc.	Industrial	13,317,093	0.37
16.	Signode Corporation	Industrial	13,171,384	0.36
17.	Lonne Carr	Industrial	12,920,314	0.36
18.	Contra Costa Waste Service Inc.	Industrial	11,606,291	0.32
19.	Che Chen and Shu Fen Liu, Trustees	Shopping Center	11,466,738	0.32
20.	RRM Enterprises LLC	Industrial	9,654,891	0.27
			$1,116,797,767	30.94%

Source: California Municipal Statistics, Inc.
[1] 2013-14 Local Secured and Utility Assessed Valuation: $3,609,236,898.

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

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

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, toxic

dumping, acts of terrorism, etc., or reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). Lower assessed values could necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional bonds in the future might also cause the tax rate to increase, although the District does not currently have any voter authorization to issue additional bonds.

State-Assessed Property. Under the Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect, generally reducing the assessed value in the District as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

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

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

Direct and Overlapping Debt

Direct and Overlapping Debt. Set forth on the following page is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of April 1, 2014, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

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STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Pittsburg Unified School District

2013-14 Assessed Valuation: $4,613,840,965

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/14
Bay Area Rapid Transit District	0.878%	$ 5,691,855
Contra Costa Community College District	3.150	10,834,268
Pittsburg Unified School District	**100.**	**190,798,211** (1)
City of Pittsburg 1915 Act Bonds	22.864	3,637,662
East Bay Regional Park District	1.355	2,750,311
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$213,712,307
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Contra Costa County General Fund Obligations	3.137%	$ 9,264,314
Contra Costa County Pension Obligations	3.137	9,728,151
Contra Costa Community College District Certificates of Participation	3.150	24,570
Contra Costa Fire Protection District Pension Obligations	6.806	6,802,257
Pittsburg Unified School District Certificates of Participation	**100.**	**25,595,000**
City of Pittsburg Pension Obligations	81.046	30,717,290
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$82,131,582
Less: Contra Costa County General Fund Obligations supported by revenue funds		3,708,020
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$78,423,562
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$302,433,166
GROSS COMBINED TOTAL DEBT		$598,277,055 (2)
NET COMBINED TOTAL DEBT		$594,569,035

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

Ratios to 2013-14 Assessed Valuation:

Direct Debt ($190,798,211)	**4.14%**
Total Direct and Overlapping Tax and Assessment Debt	4.63%
Combined Direct Debt ($216,393,211)	**4.69%**
Gross Combined Total Debt	12.97%
Net Combined Total Debt	12.89%

Ratio to Redevelopment Incremental Valuation ($2,875,447,032):

Total Overlapping Tax Increment Debt	10.52%

Source: California Municipal Statistics, Inc.

COUNTY INVESTMENT POOL

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

Each treasurer-tax collector is required to invest funds, including those pooled funds described above, in accordance with Section 53601 *et seq* of the California Government Code. In addition, each Director of Finance is required to establish an investment policy which may impose further limitations beyond those required by the California Government Code. A copy of the County investment policy and periodic reports on the County investment pool are available from the County Auditor-Controller, 625 Court St. Finance Bldg. Martinez, CA 94553, Telephone: (925) 646-2181. It is not intended that such information be incorporated into this Official Statement by such references. Certain information concerning the County's pooled investment portfolio as of December 31, 2013 is included here in APPENDIX D—EXCERPTS FROM THE COUNTY INVESTMENT PORTFOLIO REPORT.

LEGAL OPINIONS

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

TAX MATTERS

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

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

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

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

deduction). "Adjusted current earnings" would include certain tax exempt interest, including interest on the Bonds.

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

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

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

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

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

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

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be

predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the District as a taxpayer and the Bond owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

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

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

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

If the initial offering price to the public (excluding bond houses and brokers) at which a 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 Certificate 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 and original issue premium is disregarded. Owners of Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Bonds.

In the event the District fails to expend all of certain proceeds of the Bonds for a qualified purpose with respect to the project within the period ending three years after the date of issue of the Bonds or such later date if extended by the IRS (the "Expenditure Period"), the District is required to use said unexpended proceeds to prepay all or a portion of the Bonds all in accordance with the requirements of Section 54A(d)(2)(B) of the Tax Code in the time and manner prescribed by the Tax Code.

To ensure compliance with requirements imposed by the IRS, Bond Counsel informs Owners of the Certificates that any U.S. federal tax advice contained in this Official Statement (including any attachments) (a) was not intended or written to be used and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer and (b) was written to support the promotion or marketing of the Certificates. Each taxpayer should seek advice based on that taxpayer's particular circumstances from an independent tax advisor.

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

FINANCIAL ADVISOR

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

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months after the end of the District's fiscal year (which date would be March 31 following the current end of the District's fiscal year on June 30), commencing with the report for the 2013-14 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board (the "MSRB"). The notices of enumerated events will be filed by the District with the MSRB. The specific nature of the information to be made available and to be contained in the notices of material events is summarized below under the caption APPENDIX F—FORMS OF CONTINUING DISCLOSURE CERTIFICATES. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). In preparation for issuance of the Bonds, the District determined that, while it had had filed all required Annual Reports and financial and operating data as required by its continuing disclosure undertakings during the last five years, in certain instances, material event notifications relating to rating downgrades of the municipal bonds insurers rating certain of the District's outstanding bonds were not filed on an timely basis. Prior to the date of this Official Statement, all such material event notifications have been filed with the MSRB.

LEGALITY FOR INVESTMENT IN CALIFORNIA

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

ABSENCE OF MATERIAL LITIGATION

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

RATING

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

UNDERWRITING

The Series D Bonds are being purchased by the Underwriter. The Underwriter has agreed to purchase the Series D Bonds at a price of $12,830,929.15 (being equal to the aggregate principal amount of the Series D Bonds ($12,500,000.00), plus a net original issue premium ($393,429.15), less $62,500.00 retained by the Underwriter to pay the Underwriter's discount. The purchase agreement relating to the Series D Bonds provides that the Underwriter will purchase all of the Series D Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions. In addition, the Underwriter will pay certain costs of issuance of the Series D Bonds, as set forth in the Series D Bond purchase agreement relating to the Series D Bonds. The Underwriter may offer and sell Series D Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

The Refunding Bonds are being purchased by the Underwriter. The Underwriter has agreed to purchase the Refunding Bonds at a price of $10,370,223.80 (being equal to the aggregate principal amount of the 2014 Refunding Bonds ($9,985,000.00), plus a net original issue premium ($435,148.80), less $49,925.00 retained by the Underwriter to pay the Underwriter's discount. The purchase agreement relating to the Refunding Bonds provides that the Underwriter will purchase all of the Refunding Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions. In addition, the Underwriter will pay certain costs of issuance of the Refunding Bonds, as set forth in the Refunding Bond purchase agreement relating to the Refunding Bonds. The Underwriter may offer and sell Refunding Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

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

All data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have

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

PITTSBURG UNIFIED SCHOOL DISTRICT

By /s/ Linda Rondeau
Linda Rondeau
Superintendent

APPENDIX A

THE ECONOMY OF THE DISTRICT

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

Introduction

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

Contra Costa County's physical geography is dominated by the bayside alluvial plain, the Oakland Hills–Berkeley Hills, several inland valleys, and Mount Diablo, an isolated 3,849-foot (1,173 m) upthrust peak at the north end of the Diablo Range of hills. The summit of Mount Diablo is the origin of the Mount Diablo Meridian and Base Line, on which the surveys of much of California and western Nevada are based.

The Hayward Fault Zone runs through the western portion of the county, from Kensington to Richmond. The Calaveras Fault runs in the south-central portion of the county, from Alamo to San Ramon. The Concord Fault runs through part of Concord and Pacheco, and the Clayton-Marsh Creek-Greenville Fault runs from Clayton at its north end to near Livermore. These slip-strike earthquake faults and the Diablo thrust fault near Danville are all considered capable of significantly destructive earthquakes and many lesser related faults are present in the area that cross critical infrastructure such as water, natural gas, and petroleum product pipelines, roads, highways, railroads, and BART rail transit.

The County of Contra Costa was incorporated in 1850 as one of the original 27 counties of the State of California with the City of Martinez as the County Seat. It is one of the nine counties in the San Francisco-Oakland Bay Area. The County is the ninth most populous county in California

Structure. The County is a general law county. The County government is comprised of ten elected officials including a five-member Board of Supervisors, the Assessor-Clerk-Recorder, the Auditor-Controller, the District Attorney, the Sheriff and the Treasurer-Tax Collector; all elected to four-year terms. A County Administrative Officer (CAO) is appointed by the Board of Supervisors and functions as the Chief Executive Officer.

Services. The County government provides a full range of public services including public safety, roads and facilities, social services, administrative services, health services, sanitation services and leisure services. Typically, the department heads who run these operations, other than the elected department heads, report to the CAO.

Education

Public school education in the County is available through 252 schools in 18 school districts.

Population

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

POPULATION
City of Pittsburg and Contra Costa County

Year	City of Pittsburg	Contra Costa County
2004	60,667	993,958
2005	61,120	1,001,216
2006	60,926	1,007,169
2007	61,324	1,015,672
2008	61,873	1,027,264
2009	62,201	1,038,390
2010	63,096	1,047,948
2011	63,735	1,056,306
2012	64,779	1,066,602
2013	65,339	1,074,702

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001- 2013, with 2000 & 2010 Census Count (as of January 1). Sacramento, California, May 2013.

Employment

The County civilian labor force figures are shown in the following table for the years 2008 through 2012. These figures are County-wide and may not necessarily reflect employment trends in the District.

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

CONTRA COSTA COUNTY
Annual Average Wage and Salary Employment by Industry*
2008-2012

	2008	2009	2010	2011	2012[1]
Total, All Industries	339,500	321,800	312,600	313,900	321,400
Total Farm	700	800	700	800	800
Total Nonfarm	338,800	321,000	311,900	313,000	320,600
Manufacturing	20,700	18,700	18,300	17,400	17,400
Trade, Transportation & Utilities	61,200	57,300	55,900	56,500	57,100
Information	11,800	10,400	9,600	9,000	8,400
Financial Activities	26,600	25,700	25,300	24,800	25,200
Professional & Business Services	49,300	45,900	43,800	45,900	48,100
Educational & Health Services	45,600	48,100	48,400	49,300	50,500
Leisure & Hospitality	32,800	31,200	31,300	32,300	33,700
Other Services	12,400	11,700	11,800	12,400	12,400
Government	52,600	51,300	49,200	47,800	48,000

Source: California Employment Development Department, based on August 2013 benchmark.
*Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.
[1] Latest available full-year data

The following tables summarize historical employment and unemployment for the County of Contra Costa, the State of California and the United States:

CONTRA COSTA COUNTY, CALIFORNIA, AND UNITED STATES
Civilian Labor Force, Employment, and Unemployment
(Annual Averages)
2008-2012 [1]

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate [2]
2008	Contra Costa County	524,600	492,200	32,400	6.2%
	California	18,203,100	16,890,000	1,313,100	7.2
	United States	154,287,000	145,362,000	8,924,000	5.8
2009	Contra Costa County	525,100	471,600	53,400	10.2%
	California	18,208,300	16,144,500	2,063,900	11.3
	United States	154,142,000	139,877,000	14,265,000	9.3
2010	Contra Costa County	523,800	465,500	58,300	11.1%
	California	18,316,400	16,051,500	2,264,900	12.4
	United States	153,889,000	139,064,000	14,825,000	9.6
2011	Contra Costa County	528,900	473,900	55,000	10.4%
	California	18,384,900	16,226,600	2,158,300	11.7
	United States	153,617,000	139,869,000	13,747,000	8.9
2012	Contra Costa County	535,800	487,600	48,200	9.0%
	California	18,494,900	16,560,300	1,934,500	10.5
	United States	154,975,000	142,469,000	12,506,000	8.1

Source: California Employment Development Department, based on August 2013 benchmark and US Department of Labor.

(1) Latest available full-year data.

(2) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures available in this table.

Top Ten Employers

The table below sets forth the top ten employers of the County as of January 2013.

CONTRA COSTA COUNTY
2013 Top Ten Employers

Rank	Company	Estimated Employees	% of Total County Employment
1	John Muir Health	2,200	0.40%
2	Kaiser Foundation Hospital	2,000	0.36
3	Chevron Corporation	1,329	0.24
4	Target Corporation	1,262	0.23
5	Walmart Stores, Inc.	1,150	0.21
6	Contra Costa Newspapers, Inc.	1,140	0.21
7	Doctors Medical Center	937	0.17
8	Shell/Martinez Refinery	900	0.16
9	Bio-Rad Laboratories	900	0.16
10	Texaco Inc	800	0.15
Total		12,618	2.29%
All Others		536,100	97.71%

Source: Contra Costa County 2013 CAFR

Construction Activity

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

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

	2007	2008	2009	2010	2011
Permit Valuation:					
New Single-family	42,361	7,367	26,212	12,720	21,657.9
New Multi-family	27,622	24,591	0	9,715	0
Res. Alterations/Additions	5,788	4,437	3,455	2,243	3,083.7
Total Residential	76,040	36,395	29,576	24,678	24,741.6
Total Nonresidential	39,350	61,812	9,968	30,029	5,411.7
Total All Building	115,390	98,206	39,544	54,707	30,153.3
New Dwelling Units:					
Single Family	229	42	154	67	130
Multiple Family	330	133	0	111	0
Total	559	175	154	178	130

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

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

	2007	2008	2009	2010	2011
Permit Valuation:					
New Single-family	832,053	300,089	300,363	237,458	211,417.9
New Multi-family	94,505	132,925	34,119	106,555	47,304.2
Res. Alterations/Additions	290,108	29,023	170,150	209,044	233,174.2
Total Residential	1,216,666	661,937	504,632	553,058	491,896.3
Total Nonresidential	491,315	459,933	314,301	285,417	214,585.0
Total All Building	1,707,980	1,121,869	818,934	838,475	706,481.3
New Dwelling Units:					
Single Family	2,698	985	1,038	809	718
Multiple Family	909	909	163	890	355
Total	3,607	1,894	1,201	1,699	1,073

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

Commercial Activity

Taxable sales in the City and County are shown below. The latest full-year data available from the State is for calendar year 2011. In early 2007 the Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System (NAICS) codes. This process is now complete; over one million permit holders were converted from the previous business coding system to the NAICS codes. Beginning in 2009, reports summarize taxable sales and permits using the NAICS codes. As a result of the coding change, however, industry-level data for 2009 are not comparable to that of prior years.

TAXABLE SALES, 2007-2011
City of Pittsburg
(in thousands)

	2007	2008
Retail Stores		
Apparel Stores	15,597	17,156
General Merchandise	82,339	77,166
Food Stores	32,738	33,323
Eating and Drinking Places	58,578	58,409
Home Furnishings and Appliances	15,835	22,720
Building Materials	67,798	45,201
Motor Vehicles and Parts	156,780	114,282
Service Stations [2]	56,501	67,433
Other Retail Stores [1]	62,518	42,153
Retail Stores Totals	548,684	477,842
All Other Outlets	138,721	142,823
Totals All Outlets [4]	687,405	620,665

	2009 [3]	2010 [3]	2011 [3][5]
Retail and Food Services			
Motor Vehicle and Parts Dealers	70,612	71,207	79,917
Home Furnishings and Appliance Stores	23,528	21,701	20,332
Bldg. Matrl. And Garden Equip. and Supplies	[6]	[6]	[6]
Food and Beverage Stores	37,570	38,855	38,941
Gasoline Stations	47,863	57,213	65,142
Clothing and Clothing Accessories Stores	19,613	19,797	17,493
General Merchandise Stores	64,921	64,067	62,469
Food Services and Drinking Places	56,533	58,699	62,262
Other Retail Group	71,649	66,832	65,450
Total Retail and Food Services	392,290	398,371	412,006
All Other Outlets	209,597	115,757	168,086
Totals All Outlets [4]	601,887	514,129	580,091

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).
[1] Starting 2007, Specialty Stores group is included in Other Retail Stores group.
[2] Starting 2007, Service Stations are reported separately from "Motor Vehicles and Parts."
[3] Starting in 2009, categories were revised from prior years. Most recent annual data available.
[4] Totals may not add up due to independent rounding.
[5] Last available full year data.
[6] Sales omitted because their publication would result in the disclosure of confidential information.

TAXABLE SALES, 2007-2011
Contra Costa County
(in thousands)

	2007	2008
Retail Stores		
Apparel Stores	470,507	528,456
General Merchandise	1,878,711	1,753,124
Food Stores	616,296	594,275
Eating and Drinking	1,125,644	1,134,412
Household Group	427,995	471,620
Building Material Group	944,683	747,773
Automotive Group	1,812,785	1,406,932
Service Stations[2]	1,351,405	1,514,897
All Other Retail Stores[1]	1,481,678	1,332,819
Retail Stores Totals	10,109,704	9,484,307
Business & Personal Services	555,973	533,701
All Other Outlets	3,420,618	3,289,673
Total All Outlets[4]	14,086,295	13,307,681

	2009 [3]	2010 [3]	2011 [3][5]
Retail and Food Services			
Motor Vehicles and Parts Dealers	1,184,803	1,234,844	1,372,234
Furniture and Home Furnishings Stores	225,331	227,432	240,863
Electronics and Appliance Stores	385,742	356,124	357,941
Bldg Mtrl. and Garden Equip. and Supplies	711,475	718,405	739,836
Food and Beverage Stores	657,337	673,326	692,641
Health and Personal Care Stores	264,279	264,011	277,662
Gasoline Stations	1,151,058	1,312,703	1,522,725
Clothing and Clothing Accessories Stores	642,813	663,243	702,573
Sporting Goods, Hobby, Book and Music Stores	314,924	304,491	303,397
General Merchandise Stores	1,380,111	1,406,756	1,443,317
Miscellaneous Store Retailers	397,297	382,048	396,831
Nonstore Retailers	47,224	46,613	50,078
Food Services and Drinking Places	1,111,182	1,126,398	1,200,318
Total Retail and Food Services	8,473,578	8,716,393	9,300,418
All Other Outlets	3,409,471	3,237,454	3,499,439
Totals All Outlets[4]	11,883,049	11,953,846	12,799,857

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

Median Household Income

The following table summarizes the median household effective buying income for the City, the County, the State of California and the nation for the years 2008 through 2012.

CITY, COUNTY, STATE AND UNITED STATES
Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2008	City of Pittsburg	1,143,750	50,150
	Contra Costa County	30,737,690	61,903
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Pittsburg	1,210,668	50,490
	Contra Costa County	31,197,703	64,213
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Pittsburg	1,119,470	47,119
	Contra Costa County	30,049,698	61,031
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Pittsburg	1,070,722	47,065
	Contra Costa County	30,416,350	60,777
	California	814,578,457	47,062
	United States	6,438,704,663	41,253
2012	City of Pittsburg	1,147,795	45,645
	Contra Costa County	33,604,875	61,167
	California	864,088,827	47,307
	United States	6,737,867,730	41,358

Source: Nielsen Claritas, Inc.

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APPENDIX B

DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

District Budget

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

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

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

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

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

The District's Second Interim Report for Fiscal Year 2013-14, adopted March 12, 2014, was certified as "Positive."

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The following table shows the District's audited actual General Fund for fiscal years 2011-12 and 2012-13, and the District's adopted General Fund budget for 2013-14. For further information, see also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013.

GENERAL FUND BUDGET
Pittsburg Unified School District
Fiscal Years 2011-12 to 2013-14

	Fiscal Year		
	2011-12 Actual	2012-13 Actual	2013-14 Second Interim
Revenues:			
Revenue limit sources	$ 45,739,064	$ 54,830,548	$ 70,560,489
Federal sources	7,353,680	5,986,821	5,859,729
Other State sources	7,479,261	17,720,908	9,519,327
Other Local sources	19,418,061	5,771,895	5,666,868
Total revenues	$ 83,157,281	$ 83,527,696	$ 91,606,413
Expenditures:			
Certificated salaries	$ 37,332,023	$ 39,206,350	$ 40,731,447
Classified salaries	11,454,486	12,264,003	12,027,684
Employee benefits	17,040,278	17,688,758	17,469,811
Books & supplies	3,969,837	3,612,513	4,863,914
Contract services & operating expenditures	9,006,612	11,958,579	12,303,572
Capital Outlay	283,272	368,934	3,937,003
Other outgo	42,081	225,021	63,416
Transfers of indirect/direct support costs	(387,383)	(373,052)	(434,630)
Total expenditures	$ 78,741,206	$ 84,951,106	$ 90,962,218
Excess (deficiency) of revenues over expenditures	4,601,162	(1,423,410)	644,194
Other financing sources (uses):			
Operating transfers in	226,498		6,166,791
Operating transfers out	(1,897,766)	(3,130,421)	(3,706,987)
Total other financing sources (uses)	(1,671,268)	(3,130,421)	2,459,804
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	2,929,894	(4,553,831)	3,103,998
Beginning Fund Balance	10,176,441	13,545,677	8,991,846
Ending Fund Balance	12,879,837	8,991,846	12,095,844

Source: Pittsburg Unified School District

Accounting Practices

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

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

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

Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2013, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the District, 2000 Railroad Avenue, Pittsburg, California 94565, telephone number (925) 473-2351. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. The District's audited financial statements for the year ended June 30, 2013, are included in APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2013.

INCOME AND EXPENSE STATEMENT
Pittsburg Unified School District
Fiscal Years 2008-09 to 2012-13

	Fiscal Year				
	2008-09	2009-10	2010-11	2011-12	2012-13
REVENUES					
Revenue Limit Sources:	$ 52,431,986	$ 45,936,009	$ 51,789,070	$ 45,739,064	$ 54,830,548
Federal Sources	7,113,107	7,958,970	9,415,899	7,353,680	5,986,821
Other State Sources	14,562,334	15,812,597	19,442,164	7,479,261	17,720,908
Other Local Sources	3,575,089	5,349,215	5,208,679	19,418,061	5,771,895
Total Revenues	$ 77,682,517	$ 75,183,791	$ 85,855,812	$ 83,157,281	$ 83,527,696
EXPENDITURES					
Certificated salaries	$ 34,460,869	$ 32,727,632	$ 34,937,948	$ 37,332,023	$ 39,206,350
Classified salaries	10,860,182	10,637,772	10,738,449	11,454,486	12,264,003
Employee benefits	15,589,512	15,522,756	17,215,311	17,040,278	17,688,758
Books and supplies	3,484,573	2,594,960	4,232,601	3,969,837	3,612,513
Contract services and operating expenses	11,334,107	11,426,066	12,036,258	9,006,612	11,958,579
Capital outlay	500,166	292,606	86,700	283,272	368,934
Other outgo	15,695	17,294		42,081	225,021
Transfers of indirect/direct support costs	(461,844)	(408,447)		(387,383)	(373,052)
Total Expenditures	75,783,260	$ 73,810,639	$ 79,286,567	$ 78,741,206	$ 84,951,106
Excess (deficiency) of revenues over (under) expenditures	1,899,257	1,373,152	6,569,245	4,601,162	(1,423,410)
Other financing sources					
Operating transfers in	1,008,559	2,000,000		226,498	
Operating transfers out	(306,289)	(2,584,467)	(2,913,155)	(1,897,766)	(3,130,421)
Other sources (uses)					
Total financing sources (uses)	702,270	(584,467)	(2,913,155)	(1,671,268)	(3,130,421)
Net change in fund balances	2,601,527	788,685	3,656,090	2,929,894	(4,553,831)
Fund Balance, July 1	$ 9,237,889	$ 11,839,416	$ 12,628,101	$ 16,284,191[1]	$ 19,745,105
Fund Balance, June 30	$ 11,839,416	$ 12,628,101	$ 16,284,191	$ 19,745,105	$ 16,333,637

Source: Pittsburg Unified School District audited financial statements.

District Revenues

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

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

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

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

The revenue limit sources comprised approximately 63.3% of general fund revenues in fiscal year 2012-13 and are estimated to equal approximately 77.2% of such revenues in fiscal year 2013-14.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools, Education for Economic Security, and the free and reduced lunch program. The federal revenues, most of which are restricted, comprised approximately 7% of general fund revenues in fiscal year 2012-13 and are estimated to equal approximately 6.3% of such revenues in fiscal year 2013-14.

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

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, School Improvement Program, Economic Impact Aid, Class Size Reduction Program, home-to-school transportation and instructional materials. Other State revenues approximately 22.9% of general fund revenues in fiscal year 2012-13 and are estimated to equal approximately 10.4% of such revenues in fiscal year 2013-14.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings, transportation fees, leases and rentals, special education support and other local sources. Other local revenues approximately 6.8% of general fund revenues in fiscal year 2012-13 and are estimated to equal approximately 5.9% of such revenues in fiscal year 2013-14.

District Expenditures

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

In its 2013-14 second interim report, the District estimates that it will expend $71,060,337 in salaries and benefits, or approximately 59% of its general fund expenditures. This amount represents an increase of approximately 2% from the $69,159,111 the District expended in 2012-13.

Labor Relations. Currently the District employs 540 full-time equivalent (FTE) certificated employees, 350 FTE classified employees, 71 management employees and 5 confidential employees. There are two formal bargain units operating in the District which are described in the table below.

LABOR ORGANIZATIONS
Pittsburg Unified School District

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

Source: Pittsburg Unified School District

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

California Public Employees' Retirement System (CalPERS)

Plan Description. The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy. Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-13 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012 and 2011 were $1,632,143, $1,470,754 and $1,343,982, respectively, and equal 100% of the required contributions for each year.The District's contribution to CalPERS for the fiscal year ending June 30, 2014, is budgeted at $1,325,995.

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 Laws. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

Funding Policy. Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25% of annual payroll. The District's contributions to STRS for the fiscal years ending June 30, 2013, 2012 and 2011 were $3,268,075, $3,065,827 and $2,891,563, respectively, and equal 100% of the required contributions for each year. The District's contribution to STRS for the fiscal year ending June 30, 2014, is budgeted at $3,224,377.

On-Behalf Payments. The State of California makes contributions to STRS and CalPERS on behalf of the District. These payments consist of Sate General Fund contributions to STRS and contributions to CalPERS for the year ended June 30, 2013. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures however, guidance received from the California Department of Education advises local education agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in the District's financial statements.

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013, Note 11.

Other Post-Employment Benefits. The District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans,* in 2008-09. Membership of the plan at the last actuarial valuation consisted of the following: 197 Retirees and beneficiaries receiving benefits and 861 Active plan members.

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

As of June 30, 2013, the District has established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors with plan assets of $662,307.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or

funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

OPEB OBLIGATIONS
Pittsburg Unified School District
Fiscal Year 2012-13

Annual required contribution	$ 2,313,260
Interest on net OPEB obligation	200,811
Adjustment to annual required contribution	(261,260)
Annual OPEB cost (expense)	2,252,811
Contributions made	(666,185)
Increase in net OPEB obligation	1,586,626
Net OPEB obligation, beginning of the year	4,016,213
Net OPEB obligation, end of the year	$ 5,602,839

Source: Pittsburg Unified School District 2013 Annual Report

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

HISTORICAL OPEB OBLIGATIONS
Pittsburg Unified School District
Fiscal Years 2010-11 to 2012-13

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2011-10	1,598,836	48%	2,619,898
2012-11	2,273,827	39%	4,016,213
2013-12	2,252,811	30%	5,602,839

Source: Pittsburg Unified School District 2013 Annual Report

Funded Status and Funding Progress – OPEB Plans. As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was $17.18 million and the unfunded actuarial accrued liability (UAAL) was $16.52 million.

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

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013, Note 10.

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB

340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make.

Summary of District Revenues and Expenditures

See "SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS—District Budget Process and County Review" for a general description of the annual budget process for California school districts. The District's audited financial statements for the year ending June 30, 2013, are reproduced in Appendix C. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District Board by September 15, and the audit report must be filed with the County Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 3% of its total general fund expenditures, based on total student attendance below 30,000. For Fiscal Year 2013-14, the District has budgeted an unrestricted general fund reserve of 4%, or approximately $4.2 million. Substantially all funds of the District are required by law to be deposited with and invested by the Treasurer-Tax Collector on behalf of the District, pursuant to law and the investment policy of the County. See "CONTRA COSTA COUNTY INVESTMENT POOL."

Short Term Borrowing

The District has no outstanding short-term debt.

Lease Obligations

The District leases equipment under agreements, which provide for title to pass upon expiration of the lease period. The final payment of $113,187 was paid during the 2011-12 fiscal year.

Long-Term Obligations

General Obligation Bonds. The District received authorization from voters to issue $30 million in general obligation bonds at an election held on November 7, 1995. The District issued the entire amount of the 1995 authorization in five series of bonds. In 2003, the District refunded the callable Series A and Series B bonds. In 2005, the District refunded the callable Series C and Series E bonds. In 2010, the District refunded the callable Series D bonds.

The District received authorization to issue $40.5 million of bonds at an election held on November 2, 2004. The District has issued the entire amount of the 2004 authorization in three series of bonds.

The District received authorization to issue $85 million of bonds at an election held on November 7, 2006. The District has issued the entire amount of the 2006 authorization in three series of bonds.

The District received authorization to issue $100 million at an election held on November 2, 2010. The District has issued three series of bonds under the 2010 authorization for a total of approximately $68 million, leaving $32 million of bonds authorized but not yet issued under the 2010 authorization. The Series D Bonds represent the fourth series of bonds under the 2010 authorization.

The District also issued refunding bonds in 2012 which refunded all of the then outstanding 2003 Refunding Bonds and a portion of the first series of the then outstanding 2004 bonds.

On Monday, September 30, 2013, the Internal Revenue Service announced that refund payments to state and local governments that have issued Direct-Pay Tax Credit Bonds are subject to sequestration for fiscal year 2014. Refund payments processed on or after October 1, 2013 through September 30, 2014, will be reduced by 7.2%. This is a lower percentage reduction than the 8.7% that has applied to payments since sequestration first went into effect on March 1, 2013. The District estimates that the reduction in the federal cash subsidy it expects to receive in fiscal year 2014 will not exceed $73,980 This announcement does not affect future years although there could be additional sequester orders for future fiscal years.

The following table shows all outstanding District general obligation bonds:

Outstanding General Obligation Bonds

	Date	Series Name	Original Principal Amount	Current Outstanding Amount
Election of 2004	3/23/2005	Series A [1]	$ 17,100,000	$ 5,750,000
	6/26/2006	Series B	13,350,000	11,975,000
	10/10/2007	Series C	10,050,000	8,655,000
			$ 40,500,000	$ 26,380,000
Election of 2006	10/10/2007	Series A	$ 15,000,000	$ 10,525,000
	5/27/2009	Series B	35,000,000	33,450,000
	7/14/2011	Series C	35,000,000	34,550,000
			$ 85,000,000	$ 78,525,000
Election of 2010	7/14/2011	Series A	$ 24,999,952	$ 20,005,000
	8/7/2012	Series B	25,000,000	25,000,000
	8/21/2012	Series C	18,003,211	18,003,211
			$ 68,003,163	$ 63,008,211
Refunding Bonds	9/15/2005	2005 Refunding Bonds [1]	$ 8,565,000	$ 5,835,000
	3/25/2010	2010 GO Refunding Bonds	6,810,000	5,450,000
	8/7/2012	2012 GO Refunding Bonds	13,262,000	12,780,000
			$ 28,637,000	$ 24,065,000
Total			$222,140,163	$191,978,211

[1] Current outstanding amount includes bonds expected to be refunded by the Refunding Bonds.

The following table shows the annual debt service obligations for all outstanding bonds of the District:

Year Ending August 1	Election of 2004 Bonds [1]	Election of 2006 Bonds	Election of 2010 Bonds [1][2]	Refunding Bonds [1]	Total Annual Debt Service
2014	$ 2,152,122.52	$ 3,463,473.76	$ 2,907,837.50	$ 2,416,745.00	$ 10,940,178.78
2015	2,216,330.02	3,561,236.26	2,812,837.50	2,481,170.00	11,071,573.78
2016	2,275,605.02	3,662,373.76	2,712,837.50	2,478,232.50	11,129,048.78
2017	1,755,480.02	3,772,973.76	2,597,837.50	2,972,570.00	11,098,861.28
2018	1,776,880.02	3,882,173.76	2,492,837.50	3,015,970.00	11,167,861.28
2019	1,860,773.76	3,998,523.76	2,372,837.50	3,039,170.00	11,271,305.02
2020	1,889,936.26	4,122,473.76	2,427,837.50	3,075,375.00	11,515,622.52
2021	1,925,351.26	4,248,408.76	2,472,837.50	2,733,006.26	11,379,603.78
2022	1,957,203.76	4,381,538.76	2,542,837.50	2,482,900.00	11,364,480.02
2023	1,980,603.76	4,516,576.26	2,607,837.50	2,119,550.00	11,224,567.52
2024	2,010,148.76	4,659,576.26	2,662,837.50	1,453,150.00	10,785,712.52
2025	2,045,042.50	4,808,763.76	12,362,837.50	1,178,700.00	20,395,343.76
2026	2,075,981.26	4,959,226.26	2,783,987.50	1,215,400.00	11,034,595.02
2027	3,457,346.26	5,118,751.26	2,848,987.50	—	11,425,085.02
2028	3,525,096.26	5,287,776.26	2,928,987.50	—	11,741,860.02
2029	3,611,271.26	5,457,701.26	3,008,987.50	—	12,077,960.02
2030	2,071,615.00	5,637,401.26	3,083,987.50	—	10,793,003.76
2031	707,700.00	5,826,606.26	3,168,987.50	—	9,703,293.76
2032	707,062.50	6,020,568.76	3,248,987.50	—	9,976,618.76
2033	—	6,224,331.26	3,318,987.50	—	9,543,318.76
2034	—	6,431,356.26	18,788,987.50	—	25,220,343.76
2035	—	6,651,781.26	5,674,450.00	—	12,326,231.26
2036	—	6,877,343.76	5,834,450.00	—	12,711,793.76
2037	—	7,115,312.50	6,034,450.00	—	13,149,762.50
2038	—	7,360,406.26	6,259,450.00	—	13,619,856.26
2039	—	7,617,062.50	6,474,450.00	—	14,091,512.50
2040	—	7,885,000.00	6,709,450.00	—	14,594,450.00
2041	—	8,160,000.00	6,219,450.00	—	14,379,450.00
2042	—	8,450,000.00	6,224,450.00	—	14,674,450.00
2043	—	8,745,000.00	6,446,391.40	—	15,191,391.40
2044	—	9,060,000.00	6,680,354.85	—	15,740,354.85
2045	—	9,380,000.00	6,926,982.60	—	16,306,982.60
2046	—	9,720,000.00	7,187,456.00	—	16,907,456.00
2047	—	—	7,454,450.00	—	7,454,450.00
2048	—	—	7,725,692.55	—	7,725,692.55
2049	—	—	8,012,908.50	—	8,012,908.50
2050	—	—	8,312,184.40	—	8,312,184.40
2051	—	—	8,624,097.75	—	8,624,097.75
2052	—	—	8,944,450.00	—	8,944,450.00
TOTAL	$40,001,550.20	$197,063,717.74	$209,900,505.55	$30,661,938.76	$477,627,712.25

[1] Does not reflect the debt service following the issuance of the Bonds.

[2] The debt service for the Election of 2010 Bonds reflects the federal subsidy payments expected to be received by the District in connection with the Election of 2010, Series B Bonds issued as qualified school constriction bonds.

Certificates of Participation. In May 1994, the District issued $10,295,000 of 1994Certificates of Participation, which were refunded in October 1998 with $11,720,000 Certificates of Participation, 1998

Refinancing Project (the "1998 Refunding COPs").In February 2001, the District issued $3,000,000 of Certificates of Participation, 2001 Capital Improvements Projects (the "2001 COPs") to finance renovation to existing buildings.

In December 2009, the District issued $33,895,000 of 2009 Certificates of Participation, 2009 Capital Projects (the"2009 COPs") to finance the costs of construction of various capital improvements. In July 2010, the District issued $20,510,000 of 2010 Certificates of Participation, 2010 Financing Project (the "2010 COPs") to finance solar energy projects. In June 30, 2012, the outstanding 1998 COPs and 2001 COPs were refunded by a lease financing.

GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

State Funding of Education

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

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

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

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

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

Basic Aid Districts

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

State Cash Management Legislation

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

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

Future Initiatives

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

State Budget

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

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

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

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

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

Recent State Budgets

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)".

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2013-14 Budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 6, 2012 statewide election, as well as other spending cuts, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State Budget again be stressed and if projections included in such budget do not materialize.

2013-14 State Budget

On June 27, 2013, Governor Brown approved the 2013-14 Budget Act, projecting $97.1 billion in general fund revenues and adopting a $96.3 billion spending plan, the first balanced budget in many years. Temporary revenues provided by the passage of Proposition 30 (Sales and Income Tax Revenue Increase approved by State voters at an election held on November 6, 2012) and spending cuts made in the past two years mean that the State's budget is projected to remain balanced for the foreseeable future. The 2013-14 State Budget maintains a $1.1 billion reserve and pays down a budgetary deficit, projected to be reduced from $35 billion to $27 billion in 2013-14 and to below $5 billion by the end of 2016-17.

The Budget includes total funding of $70 billion ($39.6 billion General Fund and $30.4 billion other funds) for all K-12 education programs. The 2013-14 State Budget and its related implementing legislation enacts significant reforms to the State's system of K-12 education finance with the enactment of a new funding formula known as the "Local Control Funding Formula," described in greater detail below (the "LCFF"). Under the LCFF, Proposition 98 funding, the State's minimum funding guarantee for K-12 schools and community colleges that went into effect in fiscal year 1988-89, is $55.3 billion in the 2013-14 fiscal year, an increase of more than $8 billion over the 2011-12 fiscal year funding level. The 2013-14 Budget projects Proposition 98 funding for K-12 education to grow by almost $20

billion from the 2011-12 fiscal year to the 2016-17 fiscal year, representing an increase of more than $2,800 per student during such period.

Local Control Funding Formula. The LCFF attempts to move from an existing school funding system characterized as overly complex and inequitable to a locally-controlled system, which responds to research and practical experience indicating that students from low income families and English language learners often require supplemental services and support to be successful in school.

State Funding under the LCFF. The LCFF changes the State funding system for school districts, charter schools and county offices of education by, among other changes, consolidating most categorical programs with the existing revenue limit structure to provide a new student formula which will be phased in over seven years, and implementing supplemental and concentration grants to English language learners and economically disadvantaged students. The LCFF includes the following components:

- A base grant for each local education agency per unit of A.D.A. The average base grant is $7,643 per A.D.A. This base grant is $2,375 more than the current average revenue limit provided prior to LCFF implementation.

- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 22.5% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the Local Control Funding Formula.

Accountability under the LCFF. The LCFF moves from a state-controlled system that emphasized inputs (largely in the form of categorical funding which required funds to be spent on specific projects and programs) to a locally-controlled system in which local agencies decide the best way to spend funds, focused instead on improved outcomes. However, districts will be required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools will be required to develop and adopt local control and accountability plans, which will identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents will review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction will perform a corresponding role for county offices of education. In addition, the 2013-14 Budget creates the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans.

The State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents

of the school accountability report card, and establish policies to implement the federal accountability system.

Other K-12 Budget Adjustments. In addition to the first year funding provided under the LCFF, the 2013-14 State Budget includes:

- Common Core Implementation Funding. An increase of $1.25 billion in one-time Proposition 98 funding to support the implementation of the Common Core – new standards for evaluating student achievement in English-language arts and math. Funding will be distributed on the basis of enrollment for professional development, instructional materials and technology. Local agencies must develop a plan on how to spend these funds over the next two years, and hold a public hearing on such plan.

- Career Technical Education Pathways Grant Program. $250 million for one-time competitive capacity building grants for K-12 and community colleges to support programs based on work-based learning.

- K-12 Mandates Block Grant. $50 million to reflect the inclusion of graduation requirements mandate within the block grant program, which will be distributed to school districts, county offices of education and charter schools with enrollment in grades 9-12.

- K-12 Budget Deferral Repayment. An increase of $1.6 billion in 2012-13 and an increase of $242.3 million in 2013-14 for the repayment of inter-year budgetary deferrals.

- Proposition 39 (Energy Efficiency Projects) Implementation. $381 million in Proposition 98 funding is allocated to support energy efficiency projects approved by the California Energy Commission. Of this amount, 85 percent will be allocated based on A.D.A and 15 percent will be allocated based on free and reduced price meal eligibility.

- Special Education Funding Reform. Consolidations for various special education programs to simplify special education finance and provide additional funding flexibility.

Higher Education and Health Care. The 2013-14 State Budget increases funding for higher education by between $1,649 and $2,491 per student through 2016-17. The 2013-14 State Budget provides funding to expand Medi-Cal to approximately 1.4 million Californians pursuant to the federal law known as the Affordable Care Act. The State anticipates that this will significantly increase health care coverage, improve access to mental health services, expand substance use disorder treatment and take advantage of new federal dollars.

Numerous Factors Affecting Budget and Projections. The execution of the 2013-14 State Budget, when adopted, may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risk associated with spending reductions, including the elimination of redevelopment agencies, (iv) rising health care costs (v) large unfunded liabilities for retired State employee's pensions and healthcare, (vi) deferred maintenance of State's critical infrastructure and (vii) other factors, all or any of which could cause the revenue and spending projections made in 2013-14 State Budget to be unattainable. The District cannot predict the impact that the 2013-14 State Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the District cannot predict the accuracy of any projections made in the State's 2013-14 State Budget.

The complete 2013-14 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Series B Bonds.

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

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

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.

2010 Robles-Wong Litigation. On May 20, 2010, a plaintiff class of numerous current California public school students and several school districts, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In Maya Robles-Wong, et al. v. State of California, plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school finance. On July 16, 2010, the California Teachers' Association filed a Complaint in Intervention, making the same allegations and seeking the same declaratory and injunctive relief. On January 14, 2011, the court dismissed certain of the causes of action, including causes of action that alleged a constitutional right to a particular level of education funding and violations of equal protection of the law, based on certain State constitutional provisions. On July 26, 2011, the Superior Court rejected the plaintiff's amended complaint as not stating an equal protection claim. On January 25, 2012, the plaintiffs filed an appeal in the 1st Appellate District. The District cannot predict the ultimate outcome of the Robles-Wong litigation. However, if successful, the lawsuit could result in changes to the implementation of school finance in California.

2011 CSBA Litigation. The California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District announced on August 28, 2011 that they were filing a lawsuit (the "CSBA Lawsuit") in the Superior County of the City and County of San Francisco, seeking to restore more than $2 billion that had been designated to California public schools under Proposition 98,

but was cut from the 2011-12 State Budget. The Superior Court has rejected the CSBA Lawsuit. The plaintiffs appealed the decision. On February 26, 2013, the Appeals Court dismissed the appeal and affirmed the trial court's ruling.

Significant Accounting Policies and Audited Financial Statements

The California State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. Goodell, Porter, Sanchez & Bright, LLP of Sacramento, California, serve as independent auditors to the District and excerpts of their report for the fiscal year ended June 30, 2013, are attached hereto as APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2013. The District's auditors have not specifically approved the inclusion of such excerpts herewith.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. For the District's most recent available audited financial statements, see APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2013.

Ad Valorem Property Taxes

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

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

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

time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

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

Proposition 26

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

Proposition 98

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

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

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

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

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

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

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

Supplemental Information Concerning Litigation Against the State of California

In June 1998, a complaint was filed in Los Angeles County Superior Court challenging the authority of the State Controller to make payments in the absence of a final, approved State Budget. The Superior Court judge issued a preliminary injunction preventing the State Controller from making payments including those made pursuant to continuing appropriations prior to the enactment of the State's annual budget. As permitted by the State Constitution, the Legislature immediately enacted and the Governor signed an emergency appropriations bill that allowed continued payment of various State obligations, including debt service, and the injunction was stayed by the California Court of Appeal, pending its decision.

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

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

Propositions 1A and 22

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

rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

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

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

State Funding of School Construction

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

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

State Retirement Programs

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

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

County Office of Education

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

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

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

School District Budget Process

School districts are required by provisions of the State Education Code to maintain a balanced

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

School districts must adopt a budget no later than June 30 of each year. The budget must be submitted to the County Superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the County Superintendent, or as needed. Under either procedure, the school board must revise its adopted budget within 45 days after the Governor signs the State budget act to reflect any changes in budgeted revenues or expenditures made necessary by the adoption of the State's budget.

For both dual and single budgets submitted on July 1, the County Superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations and is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the County Superintendent will approve or disapprove the adopted budget for each school district. Pursuant to State law, the county superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved.

Subsequent to approval, the County Superintendent throughout the fiscal year is authorized to monitor each school district under his or her jurisdiction pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If a County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and the County Superintendent may do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of any collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

At minimum, school districts are required by statute to file with their County Superintendent and the State Department of Education a First Interim Financial Report by December 15th covering financial operations from July 1 through October 31st, and a Second Interim Financial Report by March

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

Temporary Inter-fund Borrowing

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

Accounting Practices

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

County Investment Pool

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

Each county treasurer is required to invest funds, including those pooled funds described above, in accordance with Government Code Sections 53601 *et seq.* and 53635 *et seq.* In addition, each county

treasurer is required to establish an investment policy which may impose further limitations beyond those required by the Government Code. See "CONTRA COSTA COUNTY INVESTMENT POOL."

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIIIA of the California Constitution

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

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

Legislation Implementing Article XIIIA

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

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency, if any, claims on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

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.

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

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

Article XIIIB of the California Constitution

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. As amended, Article XIIIB defines

(a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

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 pursuant to 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 certain 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 shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that 50% 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 pursuant to Section 8.5 of Article XVI of the State Constitution.

Unitary Property

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

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

California Lottery

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

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

Proposition 46

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

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California

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

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

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

Alternatively, charter schools are independent public schools formed by teachers, parents, and other individuals and/or groups. The schools function under contracts or "charters" with local school districts, county boards of education, or the State Board of Trustees. They are exempt from most State laws and regulations affecting public schools. As of June 2000, there were 309 charter schools in California, serving about 105,000 students (less than 2% of all K-12 students). The law permits an additional 100 charter schools each year until 2003, at which time the charter school program will be reviewed by the Legislature. Under current law, school districts must allow charter schools to use, at no charge, facilities not currently used by the district for instructional or administrative purposes.

Proposition 39 requires that each local K-12 school district provide charter school facilities sufficient to accommodate the charter school's students. A K-12 school district, however, would not be required to spend its general discretionary revenues to provide these facilities for charter schools. Instead, the district could choose to use these or other revenues — including State and local bonds. Such facilities must be reasonably equivalent to the district schools that such charter students would otherwise attend. The respective K-12 school district is permitted charge the charter school for its facilities if district discretionary revenues are used to fund the facilities and a district may decline to provide facilities for a charter school with a current or projected enrollment of fewer than 80 students. There are presently no charter schools within the District.

Article XIIIC and XIIID of the California Constitution

On November 5, 1996, an initiative to amend the California Constitution known as the "Right to Vote on Taxes Act" ("Proposition 218") was approved by a majority of California voters. Proposition 218

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

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

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

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

Propositions 98 and 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). 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.

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

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 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.

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:

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

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess 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.

c. 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.

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

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 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 capital 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.

Kindergarten-University Public Education Facilities Bond Act of 2006

The Kindergarten-University Public Education Facilities Bond Act of 2006 ("Proposition 1D") appeared on the November 7, 2006 ballot as Proposition 1D and was approved by California voters. This measure authorized the sale and issuance of $10.4 billion in general obligation bonds for construction and renovation of K-12 school facilities ($7.3 billion) and higher education facilities ($3.1 billion). Proposition 1D makes available $3.3 billion for reconstruction or modernization of existing K-12 school facilities. K-12 school districts are required to pay for 40% of these costs with local revenues, unless qualified for hardship funding. Proposition 1D also includes $1.9 billion for acquisition of land and new construction of K-12 school facilities. K-12 school districts are required to pay for 50% of such costs with local revenues, unless qualified for hardship funding. Proposition 1D directs a total of $1.0 billion to K-12 school districts which

are considered severely overcrowded, specifically to schools that have large number of pupils relative to the size of the school site.

Proposition 30

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. Beginning in the taxable year commencing January 1, 2012 and through the taxable year ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $608,000 for joint filers).

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Future Initiatives

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

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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PITTSBURG UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2013

San Diego

Los Angeles

San Francisco
Bay Area

PITTSBURG UNIFIED SCHOOL DISTRICT
OF CONTRA COSTA COUNTY

PITTSBURG, CALIFORNIA

JUNE 30, 2013

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

GOVERNING BOARD

Member	Office	Term Expires
Mr. Vincent Ferrante	President	December 2014
Mr. George Miller	Vice President	December 2016
Mr. Joseph Arenivar	Trustee	December 2014
Dr. Laura Canciamilla	Trustee	December 2016
Mr. Duane Smith	Trustee	December 2014

DISTRICT ADMINISTRATORS

Ms. Linda Rondeau
Superintendent

Mr. Enrique Palacios
Deputy Superintendent

Mr. Abe Doctolero
Assistant Superintendent of Educational Services

Ms. Dorothy Epps
Assistant Superintendent of Personnel Services

FINANCIAL SECTION

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PITTSBURG UNIFIED SCHOOL DISTRICT
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A PROFESSIONAL ACCOUNTANCY CORPORATION

INDEPENDENT AUDITORS' REPORT

Governing Board
Pittsburg Unified School District
Pittsburg, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pittsburg Unified School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Pittsburg Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pittsburg Unified School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 10, the budgetary comparison information on page 52, and the schedule of funding progress on page 53 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pittsburg Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013 on our consideration of Pittsburg Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pittsburg Unified School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 10, 2013

PITTSBURG UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

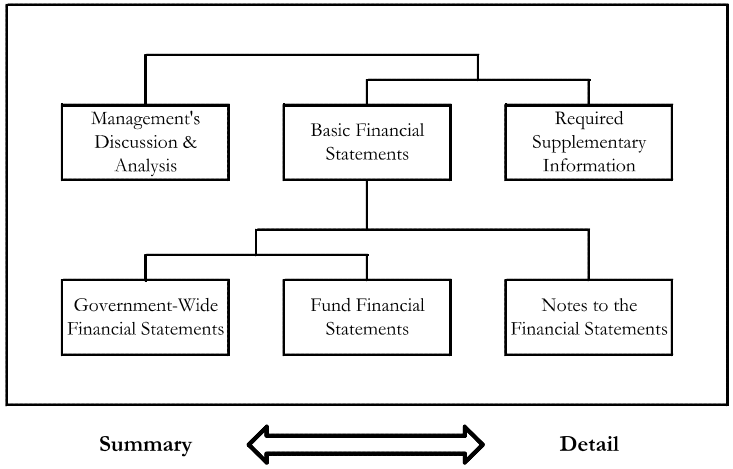
Our discussion and analysis of Pittsburg Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was $143,357,253 at June 30, 2013. This was a decrease of $1,735,834 from the prior year.
- Overall revenues were $117,090,256 which were exceeded by expenses of $118,826,090.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



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

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
  - **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

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

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was $143,357,253 at June 30, 2013, as reflected below. Of this amount, $9,574,516 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2013	2012	Net Change
ASSETS			
Current and other assets	$ 77,134,000	$ 71,452,458	$ 5,681,542
Capital assets	305,066,890	288,931,049	16,135,841
Total Assets	382,200,890	360,383,507	21,817,383
LIABILITIES			
Current liabilities	13,376,315	22,863,274	(9,486,959)
Long-term liabilities	225,467,322	192,427,146	33,040,176
Total Liabilities	238,843,637	215,290,420	23,553,217
NET POSITION			
Net investment in capital assets	114,403,957	100,119,542	14,284,415
Restricted	19,378,780	31,673,561	(12,294,781)
Unrestricted	9,574,516	13,299,984	(3,725,468)
Total Net Position	$143,357,253	$145,093,087	$ (1,735,834)

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The following table takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

	Governmental Activities		
	2013	2012	Net Change
REVENUES			
Program revenues			
Charges for services	$ 753,944	$ 765,408	$ (11,464)
Operating grants and contributions	25,548,635	33,812,756	(8,264,121)
Capital grants and contributions	11,084,459	2,579,010	8,505,449
General revenues			
Property taxes	19,538,969	21,973,349	(2,434,380)
Unrestricted federal and state aid	59,234,146	55,595,398	3,638,748
Other	930,103	785,461	144,642
Total Revenues	117,090,256	115,511,382	1,578,874
EXPENSES			
Instruction	60,197,241	58,668,458	1,528,783
Instruction-related services	11,027,208	9,983,550	1,043,658
Pupil services	10,687,508	9,812,231	875,277
General administration	6,259,586	5,063,042	1,196,544
Plant services	17,109,880	11,968,938	5,140,942
Ancillary and community services	304,100	334,326	(30,226)
Debt service	5,558,593	8,024,515	(2,465,922)
Other Outgo	-	740,660	(740,660)
Depreciation	7,681,974	10,679,662	(2,997,688)
Total Expenses	118,826,090	115,275,382	3,550,708
Change in net position	(1,735,834)	236,000	(1,971,834)
Net Position - Beginning	145,093,087	144,857,087	236,000
Net Position - Ending	$143,357,253	$145,093,087	$ (1,735,834)

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

The cost of all our governmental activities this year was $118,826,090, while net cost of services was only $81,439,080. The amount that our taxpayers ultimately financed for these activities through taxes was only $19,538,969 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

	Net Cost of Services	
	2013	2012
Instruction	$ 34,752,354	$ 33,942,001
Instruction-related services	8,832,520	7,555,987
Pupil services	3,286,775	3,164,615
General administration	5,474,659	4,258,714
Plant services	16,556,096	11,634,841
Ancillary and community services	304,100	334,326
Debt service	5,558,593	8,024,515
Other outgo	(1,008,019)	(1,476,453)
Depreciation	7,681,974	10,679,662
Total Expenses	$ 81,439,052	$ 78,118,208

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $71,902,745, which is greater than last year's ending fund balance of $53,678,683. The District's General Fund had $1,456,047 less in operating revenues than expenditures for the year ended June 30, 2013. The District's Building Fund had an increase in fund balance of $32,150,644, due to the issuance of general obligation bonds. The District's Bond Interest and Redemption Fund had an increase in fund balance of $1,357,048.

CURRENT YEAR BUDGET 2012-13

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2012-13 the District had invested $305,066,890 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2013	2012	Net Change
CAPITAL ASSETS			
Land	$ 1,785,563	$ 1,785,563	$ -
Construction in progress	150,460,023	160,594,232	(10,134,209)
Land improvements	20,314,033	19,802,457	511,576
Buildings & improvements	237,384,201	204,908,184	32,476,017
Furniture & equipment	6,275,793	5,311,362	964,431
Accumulated depreciation	(111,152,723)	(103,470,749)	(7,681,974)
Total Capital Assets	$305,066,890	$288,931,049	$ 16,135,841

Long-Term Debt

At year-end, the District had $232,743,885 in long-term debt, an increase of $35,638,037 from last year – as shown below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2013	2012	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	$200,325,294	$163,734,457	$ 36,590,837
Total certificates of participation	26,335,000	28,880,336	(2,545,336)
Compensated absences	480,752	474,842	5,910
Net OPEB obligation	5,602,839	4,016,213	1,586,626
Total Long-term Liabilities	$232,743,885	$197,105,848	$ 35,638,037

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

Assembly Bill 97 (Chapter 47, Statutes of 2013), as amended by Senate Bills 91 and 97, enacted landmark legislation reform in California school district finance by creating the new Local Control Funding Formula (LCFF). The District is analyzing the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21.

Factors related to LCFF that the District is in the process of evaluating include estimates of new funding in the next budget year and beyond; creation of the Local Control and Accountability Plan (LCAP) for fiscal year 2014-15 that aims to link student accountability measurements to funding allocations; ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, meeting new compliance and audit requirements.

The State's economy "mirrors the slow growth of the nation", this is according to the UCLA Newsroom reporting on the September 2013 Anderson Economic Forecast. "While the economy is returning to normal, it is still operating well below what would have been expected prior to the recession." The ability of the State to fund the new LCFF is largely dependent on the strength of the State's economy and remains uncertain.

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

All of these factors were considered in preparing the District's budget for the 2013-14 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

	Governmental Activities
ASSETS	
Cash and investments	$ 52,383,480
Accounts receivable	22,832,347
Inventory	45,989
Deferred charges	1,872,184
Capital assets, not depreciated	152,245,586
Capital assets, net of accumulated depreciation	152,821,304
Total Assets	382,200,890
LIABILITIES	
Deficit cash	1,006,131
Accrued liabilities	4,114,465
Unearned revenue	979,156
Long-term liabilities, current portion	7,276,563
Long-term liabilities, non-current portion	225,467,322
Total Liabilities	238,843,637
NET POSITION	
Net investment in capital assets	114,403,957
Restricted:	
Capital projects	8,373,908
Debt service	5,835,021
Educational programs	3,968,197
All others	1,201,654
Unrestricted	9,574,516
Total Net Position	$ 143,357,253

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

PITTSBURG UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
GOVERNMENTAL ACTIVITIES					
Instruction	$ 60,197,241	$ 69,501	$ 14,290,927	$ 11,084,459	$ (34,752,354)
Instruction-related services					
Instructional supervision and administration	2,168,912	-	1,332,304	-	(836,608)
Instructional library, media, and technology	723,520	-	113,523	-	(609,997)
School site administration	8,134,776	20,543	728,318	-	(7,385,915)
Pupil services					
Home-to-school transportation	1,289,036	-	525,437	-	(763,599)
Food services	5,323,523	405,933	4,937,200	-	19,610
All other pupil services	4,074,949	1,090	1,531,073	-	(2,542,786)
General administration					
Centralized data processing	730,878	2,555	28,307	-	(700,016)
All other general administration	5,528,708	21,309	732,756	-	(4,774,643)
Plant services	17,109,880	57,465	496,319	-	(16,556,096)
Ancillary services	259,680	-	-	-	(259,680)
Community services	44,420	-	-	-	(44,420)
Interest on long-term debt	5,358,593	-	-	-	(5,358,593)
Other Outgo	-	175,548	832,471	-	1,008,019
Depreciation (unallocated)	7,681,974	-	-	-	(7,681,974)
Total Governmental Activities	$ 118,826,090	$ 753,944	$ 25,548,635	$ 11,084,459	(81,439,052)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					7,481,091
Property taxes, levied for debt service					10,873,008
Property taxes, levied for other specific purposes					1,184,870
Federal and state aid not restricted for specific purposes					59,234,146
Interest and investment earnings					112,676
Miscellaneous					817,427
Subtotal, General Revenue					79,703,218
CHANGE IN NET POSITION					(1,735,834)
Net Position - Beginning					145,093,087
Net Position - Ending					$ 143,357,253

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

PITTSBURG UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 167,865	$ 36,086,607	$ 8,551,647	$ 7,577,361	$ 52,383,480
Accounts receivable	19,621,437	-	24,055	3,186,855	22,832,347
Due from other funds	61,009	-	-	2,642,194	2,703,203
Stores inventory	-	-	-	45,989	45,989
Total Assets	$ 19,850,311	$ 36,086,607	$ 8,575,702	$ 13,452,399	$ 77,965,019
LIABILITIES					
Deficit cash	$ -	$ -	$ -	$ 1,006,131	$ 1,006,131
Accrued liabilities	612,404	660,715	-	100,665	1,373,784
Due to other funds	1,969,042	-	-	734,161	2,703,203
Unearned revenue	935,228	-	-	43,928	979,156
Total Liabilities	3,516,674	660,715	-	1,884,885	6,062,274
FUND BALANCES					
Nonspendable	25,000	-	-	50,989	75,989
Restricted	3,891,219	35,425,892	8,575,702	9,652,540	57,545,353
Committed	-	-	-	1,863,985	1,863,985
Assigned	8,843,775	-	-	-	8,843,775
Unassigned	3,573,643	-	-	-	3,573,643
Total Fund Balances	16,333,637	35,425,892	8,575,702	11,567,514	71,902,745
Total Liabilities and Fund Balances	$ 19,850,311	$ 36,086,607	$ 8,575,702	$ 13,452,399	$ 77,965,019

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

PITTSBURG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total Fund Balance - Governmental Funds		$ 71,902,745
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:		
Capital assets	$ 416,219,613	
Accumulated depreciation	(111,152,723)	305,066,890
Unamortized costs:		
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included as deferred charges on the statement of net position are:		1,872,184
Unmatured interest on long-term debt:		
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(2,740,681)
Long-term liabilities:		
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Total general obligation bonds	$ 200,325,294	
Total certificates of participation	26,335,000	
Compensated absences	480,752	
Net OPEB obligation	5,602,839	(232,743,885)
Total Net Position - Governmental Activities		$ 143,357,253

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

PITTSBURG UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Revenue limit sources	$ 54,048,072	$ -	$ -	$ -	$ 54,048,072
Federal sources	5,986,821	-	-	5,602,423	11,589,244
Other state sources	19,535,057	-	76,557	12,895,433	32,507,047
Other local sources	5,782,035	78,267	11,097,041	1,988,550	18,945,893
Total Revenues	85,351,985	78,267	11,173,598	20,486,406	117,090,256
EXPENDITURES					
Current					
Instruction	56,019,094	-	-	2,644,120	58,663,214
Instruction-related services					
Instructional supervision and administration	2,168,912	-	-	-	2,168,912
Instructional library, media, and technology	723,520	-	-	-	723,520
School site administration	7,139,139	-	-	1,057,884	8,197,023
Pupil services					
Home-to-school transportation	1,289,036	-	-	-	1,289,036
Food services	-	-	-	5,943,651	5,943,651
All other pupil services	4,060,792	-	-	14,157	4,074,949
General administration					
Centralized data processing	752,819	-	-	-	752,819
All other general administration	5,182,840	-	-	373,053	5,555,893
Plant services	8,757,835	-	-	394,471	9,152,306
Facilities acquisition and maintenance	177,992	10,617,639	-	20,182,816	30,978,447
Ancillary services	266,612	-	-	-	266,612
Community services	44,420	-	-	-	44,420
Transfers to other agencies	225,021	-	-	250,000	475,021
Debt service					
Principal	-	-	12,459,952	2,495,000	14,954,952
Interest and other	-	313,195	4,442,679	958,837	5,714,711
Total Expenditures	86,808,032	10,930,834	16,902,631	34,313,989	148,955,486
Excess (Deficiency) of Revenues Over Expenditures	(1,456,047)	(10,852,567)	(5,729,033)	(13,827,583)	(31,865,230)
Other Financing Sources (Uses)					
Transfers in	-	-	-	1,955,421	1,955,421
Other sources	-	43,003,211	15,921,081	7,050,000	65,974,292
Transfers out	(1,955,421)	-	-	-	(1,955,421)
Other uses	-	-	(8,835,000)	(7,050,000)	(15,885,000)
Net Financing Sources (Uses)	(1,955,421)	43,003,211	7,086,081	1,955,421	50,089,292
NET CHANGE IN FUND BALANCE	(3,411,468)	32,150,644	1,357,048	(11,872,162)	18,224,062
Fund Balance - Beginning	19,745,105	3,275,248	7,218,654	23,439,676	53,678,683
Fund Balance - Ending	$ 16,333,637	$ 35,425,892	$ 8,575,702	$ 11,567,514	$ 71,902,745

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

PITTSBURG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net Change in Fund Balances - Governmental Funds		$ 18,224,062
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:		
Capital outlay:		
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay:	$ 23,817,815	
Depreciation expense:	(7,681,974)	16,135,841
Debt service:		
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		30,839,952
Debt proceeds:		
In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:		(65,974,292)
Debt issuance costs:		
In governmental funds, debt issuance costs and deferred amounts on refunding are recognized as expenditures in the period they are incurred. In the government-wide statements, issuance costs and deferred amounts on refunding are amortized over the life of the debt. The difference between debt issuance costs and deferred amounts on refunding recognized in the current period and issuance costs and deferred amounts on refunding amortized for the period is:		
Issuance costs and deferred amounts on refunding incurred during the period:	$ 946,871	
Issuance costs and deferred amounts on refunding amortized for the period:	(1,083,600)	(136,729)

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

PITTSBURG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2013

Unmatured interest on long-term debt:	
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:	(121,022)
Accreted interest on long-term debt:	
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.	(43,431)
Compensated absences:	
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:	(5,910)
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:	(1,586,626)
Amortization of debt issuance premium or discount:	
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:	932,321
Change in Net Position of Governmental Activities	$ (1,735,834)

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

PITTSBURG UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013

	Trust Funds		Agency Funds
	Retiree Benefit Fund	Private-Purpose Trust Fund	Student Body Fund
ASSETS			
Cash and investments	$ 491,791	$ 89,231	$ 422,596
Total Assets	491,791	89,231	$ 422,596
LIABILITIES			
Due to student groups	-	-	$ 422,596
Total Liabilities	-	-	$ 422,596
NET POSITION			
Unrestricted	491,791	89,231	
Total Net Position	$ 491,791	$ 89,231	

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

PITTSBURG UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Trust Funds	
	Retiree Benefit Fund	Private-Purpose Trust Fund
ADDITIONS		
Investment earnings	$ 1,521	$ 352
Other local revenues	-	3,000
Total Additions	1,521	3,352
DEDUCTIONS		
Other trust activities	7,258	6,516
Total Deductions	7,258	6,516
CHANGE IN NET POSITION	(5,737)	(3,164)
Net Position - Beginning	497,528	92,395
Net Position - Ending	$ 491,791	$ 89,231

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

B. Component Units

The District and Pittsburg Unified School District Financing Corporation ("the Corporation") have a financial and operational relationship that meets the reporting entity definition criteria for inclusion of the Corporation as a component unit of the District. Therefore, the financial activities of the Corporation have been included in the financial statements of the District

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Component Units (continued)

The following are those aspects of the relationship between the District and the Corporation:

1. Manifestation of Oversight

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

2. Accounting for Fiscal Matters

   a. The District is able to impose its will upon the Corporation, based on the following:

      - All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.
      - The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be the sole lessee of all facilities owned by the Corporation.

   b. The Corporation provides specific financial benefits or imposes specific financial burdens on the District based upon the following:

      - Any deficits incurred by the Corporation will be reflected in the lease payments of the District.
      - Any surpluses of the Corporation revert to the District at the end of the lease period.
      - The District has assumed a "moral obligation", and potentially a legal obligation, on any debt incurred by the Corporation.

3. Scope of Public Service and Financial Presentation

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

The Corporation is presented in these financial statements as a blended component unit.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation

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

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

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

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

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

Major Governmental Funds

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Major Governmental Funds (continued)

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

Non-Major Governmental Funds

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 expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

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

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

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

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

Fiduciary Funds

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

Retiree Benefit Fund: This fund exists to account separately for amounts held in trust from salary reduction agreements, other irrevocable contributions for employees' retirement benefit payments, or both.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

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

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Governmental Funds
Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts 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. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

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

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

Expenses/Expenditures
On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, Fund Balance and Net Position

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

Investments
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. Fair values of investments in county and State investment pools are determined by the program sponsor.

Inventories
Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Fund Balance and Net Position (continued)

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Life
Buildings and Improvements	25-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

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

Compensated Absences
Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Fund Balance and Net Position (continued)

Accrued Liabilities and Long-Term Obligations
All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

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

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

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

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Fund Balance and Net Position (continued)

Fund Balance (continued)

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

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

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

J. New Accounting Pronouncements

GASB Statement No. 61 – In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No.14 and No. 34.* The objective of this Statement is to improve financial reporting for a governmental financial reporting entity and modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement is effective for periods beginning after June 15, 2012. The District has implemented GASB Statement No. 61 for the year ended June 30, 2013.

GASB Statement No. 62 – In December 2010, GASB issued Statement No. 62, *Codifications of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The objective of this Statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures that were issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The Statement is effective for periods beginning after December 15, 2011. The District has implemented GASB Statement No. 62 for the year ended June 30, 2013.

GASB Statement No. 63 - In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement provides financial reporting guidance for deferred inflows of resources and amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definition of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Statement is effective for periods beginning after December 15, 2011. The District has implemented GASB Statement No. 63 for the year ended June 30, 2013.

GASB Statement No. 65 – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement is effective for periods beginning after December 15, 2012. The District has not yet determined the impact on the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The District has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities	Fiduciary Funds
Cash in county	$ 47,704,634	$ 514,307
Cash on hand and in banks	2,500	422,596
Cash with fiscal agent	2,293,914	-
Cash in revolving fund	30,000	-
Investments	1,346,301	66,715
Deficit cash	1,006,131	-
Total cash and investments	$ 52,383,480	$ 1,003,618

B. Policies and Practices

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

NOTE 2 – CASH AND INVESTMENTS (continued)

B. Policies and Practices (continued)

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section* 41001. The Contra Costa County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

C. General Authorizations

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

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

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations (continued)

Investments- The investments are held with the Local Agency Investment Fund (LAIF). The program is offered to local agencies and is also part of the Pooled Money Investment Account (PMIA). The investment has a fair value of $1,411,428 and an amortized book value of $1,413,016.

Cash with Fiscal Agent - Cash with Fiscal Agent represents $2,293,914 in the Capital Facilities Fund held by US Bank and restricted for construction costs of various capital improvements.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $48,064,760 and an amortized book value of $48,218,941. The average weighted maturity for this pool is 178 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2013, the pooled investments in the County Treasury were rated AAAf/S1+ by Standard and Poor's.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2013, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013 consisted of the following:

	General Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	$ 1,945,107	$ -	$ 1,322,214	$ 3,267,321
State Government				
Apportionment	12,417,797	-	-	12,417,797
Categorical aid	3,632,306	-	240,553	3,872,859
Lottery	860,085	-	-	860,085
Local Government				
Other local sources	766,142	24,055	1,624,088	2,414,285
Total	$ 19,621,437	$ 24,055	$ 3,186,855	$ 22,832,347

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 01, 2012	Additions	Deletions	Balance June 30, 2013
Governmental Activities				
Capital assets not being depreciated				
Land	$ 1,785,563	$ -	$ -	$ 1,785,563
Construction in progress	160,594,232	22,291,850	32,426,059	150,460,023
Total Capital Assets not Being Depreciated	162,379,795	22,291,850	32,426,059	152,245,586
Capital assets being depreciated				
Land improvements	19,802,457	511,576	-	20,314,033
Buildings & improvements	204,908,184	32,476,017	-	237,384,201
Furniture & equipment	5,311,362	964,431	-	6,275,793
Total Capital Assets Being Depreciated	230,022,003	33,952,024	-	263,974,027
Less Accumulated Depreciation				
Land improvements	17,800,763	268,495	-	18,069,258
Buildings & improvements	81,344,170	7,042,451	-	88,386,621
Furniture & equipment	4,325,816	371,028	-	4,696,844
Total Accumulated Depreciation	103,470,749	7,681,974	-	111,152,723
Governmental Activities				
Capital Assets, net	$ 288,931,049	$ 48,561,900	$ 32,426,059	$ 305,066,890

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2013 were as follows:

	Due From Other Funds		
Due To Other Funds	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 1,969,042	$ 1,969,042
Non-Major Governmental Funds	61,009	673,152	734,161
Total Due From Other Funds	$ 61,009	$ 2,642,194	$ 2,703,203

Due from Adult Education Fund to General Fund for indirect costs.	$ 61,009
Due from General Fund to Adult Education Fund for utility costs and Tier III flexibility.	1,969,042
Due from Special Reserve Fund for Capital Outlay Projects to Capital Facilities Fund to move expenditures to proper fund.	136,401
Due from Capital Facilities Fund to Special Reserve Fund for Capital Outlay Projects for prior year solar projects.	536,751
Total	$ 2,703,203

B. Operating Transfers

Interfund transfers for the year ended June 30, 2013 consisted of the following:

	Interfund Transfers In	
Interfund Transfers Out	Non-Major Governmental Funds	Total
General Fund	$ 1,955,421	$ 1,955,421
Total Interfund Transfers	$ 1,955,421	$ 1,955,421

Transfer from the General Fund to the Adult Education Fund for Tier III flexibility.	$ 1,897,766
Transfer from the General Fund to the Child Development Fund for prior year amounts.	57,655
Total	$ 1,955,421

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2013 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	$ 173,258	$ -	$ -	$ -	$ 173,258
Construction	-	660,715	-	-	660,715
Vendors payable	439,146	-	100,665	-	539,811
Unmatured interest	-	-	-	2,740,681	2,740,681
Total	$ 612,404	$ 660,715	$ 100,665	$ 2,740,681	$ 4,114,465

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2013, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	$ 676,781	$ -	$ 676,781
State categorical sources	255,477	-	255,477
Local sources	2,970	43,928	46,898
Total	$ 935,228	$ 43,928	$ 979,156

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2013 consisted of the following:

	Balance July 01, 2012	Additions	Deductions	Balance June 30, 2013	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 161,384,952	$ 56,268,211	$ 21,294,952	$ 196,358,211	$ 5,405,000
Unamortized premium	1,821,467	2,656,081	881,985	3,595,563	196,944
Accreted interest	528,038	571,469	528,038	571,469	-
Deferred amount on refunding	-	(215,330)	(15,381)	(199,949)	(15,381)
Total general obligation bonds	163,734,457	59,280,431	22,689,594	200,325,294	5,586,563
Certificates of participation	28,830,000	7,050,000	9,545,000	26,335,000	1,690,000
Unamortized premium	50,336	-	50,336	-	-
Total certificates of participation	28,880,336	7,050,000	9,595,336	26,335,000	1,690,000
Compensated absences	474,842	5,910	-	480,752	-
Net OPEB obligation	4,016,213	1,586,626	-	5,602,839	-
Total	$ 197,105,848	$ 67,922,967	$ 32,284,930	$ 232,743,885	$ 7,276,563

NOTE 8 – LONG-TERM DEBT (continued)

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2013 amounted to $480,752. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. General Obligation Bonds

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

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2012	Additions	Deductions	Bonds Outstanding June 30, 2013
August 13, 2003	Refunded	3.50% - 4.50%	$ 8,825,000	$ 5,710,000	$ -	$ 5,710,000	$ -
March 9, 2005	August 1, 2029	3.50% - 12.00%	17,100,000	15,285,000	-	9,165,000	6,120,000
August 30, 2005	August 1, 2024	3.40% - 4.375%	8,565,000	6,760,000	-	455,000	6,305,000
June 8, 2006	August 1, 2030	4.00% - 6.00%	13,350,000	12,375,000	-	180,000	12,195,000
September 26, 2007	August 1, 2032	4.00% - 8.00%	10,050,000	9,230,000	-	280,000	8,950,000
September 26, 2007	August 1, 2032	4.00% - 8.00%	15,000,000	11,295,000	-	380,000	10,915,000
March 12, 2009	August 1, 2039	2.50% - 5.00%	35,000,000	34,405,000	-	470,000	33,935,000
February 24, 2010	August 1, 2023	2.00% - 5.00%	6,810,000	6,325,000	-	430,000	5,895,000
July 1, 2011	September 1, 2046	5.50%	59,999,952	59,999,952	-	4,224,952	55,775,000
July 24, 2012	August 1, 2034	4.15%-4.92%	25,000,000	-	25,000,000	-	25,000,000
July 24, 2012	August 1, 2026	3.00%-5.00%	13,265,000	-	13,265,000	-	13,265,000
August 7, 2012	August 1, 2052	4.25%	18,003,211	-	18,003,211	-	18,003,211
				$ 161,384,952	$ 56,268,211	$ 21,294,952	$ 196,358,211

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

2003 General Obligation Bonds

In 2003, the District issued $8,825,000 of General Obligation Bonds. The Bonds require annual principal payments through 2022, plus interest. Annual interest rates for these General Obligation Bonds range from 3.50% to 4.50%. The Bonds were refunded during the year ended June 30, 2013 on a current basis. The net proceeds were used to purchase U.S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability has been removed from the District's liabilities. The defeased bonds were redeemed in full on September 6, 2012.

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

2005 General Obligation Bonds

In 2005, the District issued $17,100,000 of General Obligation Bonds. The Bonds require annual principal payments through August 1, 2029, plus interest. Annual interest rates for these General Obligation Bonds range from 3.50% to 12.00%. The Bonds were partially refunded during the year ended June 30, 2013 on an advance basis. The net proceeds were used to purchase U.S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability has been removed from the District's liabilities. The defeased bonds will be redeemed in full on August 1, 2013. The Bonds that were not refunded mature as follows:

Year Ended June 30,	Principal	Interest	Total
2014	$ 370,000	$ 254,980	$ 624,980
2015	420,000	240,840	660,840
2016	470,000	224,363	694,363
2017	525,000	205,313	730,313
2018	-	195,075	195,075
2019 - 2023	-	975,375	975,375
2024 - 2028	1,340,000	945,225	2,285,225
2029 - 2030	2,995,000	137,363	3,132,363
Total	$ 6,120,000	$ 3,178,534	$ 9,298,534

2005 General Obligation Refunding Bonds

In 2005, the District issued $8,565,000 of General Obligation Refunding Bonds. Of this amount, $8,387,151 was placed into an escrow account to advance refund the remaining $3,995,000 of the 1998 General Obligation Bonds and $4,050,000 of the 2000 General Obligation Bonds. The 2005 General Obligation Refunding Bonds require annual principal payments through August 1, 2024, plus interest. Annual interest rates for these General Obligation Bonds range from 3.40% to 4.375%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2014	$ 470,000	$ 240,935	$ 710,935
2015	485,000	224,458	709,458
2016	510,000	206,726	716,726
2017	525,000	187,639	712,639
2018	545,000	106,895	651,895
2019 - 2023	3,100,000	474,486	3,574,486
2024 - 2025	670,000	28,688	698,688
Total	$ 6,305,000	$ 1,469,827	$ 7,774,827

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

2006 General Obligation Bonds

In 2006, the District issued $13,350,000 of General Obligation Bonds. The Bonds require annual principal payments through August 1, 2030, plus interest. Annual interest rates for these General Obligation Bonds range from 4.00% to 6.00%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2014	$ 220,000	553,921	$ 773,921
2015	250,000	542,171	792,171
2016	290,000	528,671	818,671
2017	325,000	513,296	838,296
2018	365,000	497,871	862,871
2019 - 2023	2,765,000	2,188,466	4,953,466
2024 - 2028	4,365,000	1,372,610	5,737,610
2029 - 2031	3,615,000	257,450	3,872,450
Total	$ 12,195,000	$ 6,454,456	$ 18,649,456

2008 General Obligation Bonds

In 2008, the District issued $10,050,000 of General Obligation Bonds. The Bonds require annual principal payments through August 1, 2032, plus interest. Annual interest rates for these General Obligation Bonds range from 4.00% to 8.00%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2014	$ 295,000	$ 386,465	$ 681,465
2015	305,000	373,715	678,715
2016	320,000	360,434	680,434
2017	335,000	346,934	681,934
2018	350,000	333,234	683,234
2019 - 2023	1,940,000	1,440,666	3,380,666
2024 - 2028	2,380,000	981,034	3,361,034
2029 - 2033	3,025,000	372,884	3,397,884
Total	$ 8,950,000	$ 4,595,366	$ 13,545,366

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

2008 General Obligation Bonds

In 2008, the District issued $15,000,000 of General Obligation Bonds. The Bonds require annual principal payments through August 1, 2032, plus interest. Annual interest rates for these General Obligation Bonds range from 4.00% to 8.00%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2014	$ 390,000	$ 470,011	$ 860,011
2015	415,000	452,905	867,905
2016	425,000	435,055	860,055
2017	430,000	417,424	847,424
2018	450,000	399,824	849,824
2019 - 2023	2,360,000	1,720,070	4,080,070
2024 - 2028	2,855,000	1,167,134	4,022,134
2029 - 2033	3,590,000	440,675	4,030,675
Total	$ 10,915,000	$ 5,503,098	$ 16,418,098

2010 General Obligation Bonds

On March 12, 2009, the District issued Series B General Obligation Bonds in the amount of $35,000,000. The Bonds require annual principal payments through August 1, 2039, plus interest. Annual interest rates for these General Obligation Bonds range from 2.50% to 5.00%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2014	$ 485,000	$ 1,778,419	$ 2,263,419
2015	490,000	1,761,950	2,251,950
2016	520,000	1,741,750	2,261,750
2017	555,000	1,720,250	2,275,250
2018	570,000	1,697,750	2,267,750
2019 - 2023	3,470,000	8,017,750	11,487,750
2024 - 2028	4,420,000	7,088,859	11,508,859
2029 - 2033	5,650,000	5,780,156	11,430,156
2034 - 2038	11,990,000	3,380,663	15,370,663
2039 - 2040	5,785,000	329,766	6,114,766
Total	$ 33,935,000	$ 33,297,313	$ 67,232,313

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

2010 General Obligation Refunding Bonds

In fiscal year 2009-10, the District issued $6,810,000 of General Obligation Refunding Bonds. The 2010 General Obligation Refunding Bonds require annual principal payments through August 2023, plus interest. Annual interest rates for these General Obligation Bonds range from 2.00% to 5.00%. The Bonds were sold to refinance the 1995 Election, Series D Bond which was issued in the principal amount of $10,000,000. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2014	$ 445,000	$ 243,475	$ 688,475
2015	460,000	229,900	689,900
2016	470,000	214,775	684,775
2017	485,000	198,063	683,063
2018	505,000	179,475	684,475
2019 - 2023	2,870,000	525,000	3,395,000
2024	660,000	15,563	675,563
Total	$ 5,895,000	$ 1,606,251	$ 7,501,251

2011 General Obligation Revenue Bonds

In fiscal year 2011-12, the Financing Corporation issued $59,999,952 of General Obligation Revenue Bonds. The Bonds were issued to purchase the Election of 2006, Series C and Election 2010, Series A bonds. Annual interest rates for these Bonds range are 5.50%. The two District bonds were structured with amortization schedules that match the constraints of each bond authorization. The Bonds also refunded the District's 2009 Certificates of Participation. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2014	$ 2,245,000	$ 342,500	$ 2,587,500
2015	2,220,000	482,500	2,702,500
2016	2,095,000	605,000	2,700,000
2017	1,970,000	722,500	2,692,500
2018	1,840,000	857,500	2,697,500
2019 - 2023	8,500,000	6,695,000	15,195,000
2024 - 2028	7,705,000	11,895,000	19,600,000
2029 - 2033	7,185,000	18,390,000	25,575,000
2034 - 2038	6,680,000	26,020,000	32,700,000
2039 - 2043	8,330,000	40,712,075	49,042,075
2044 - 2047	7,005,000	41,560,250	48,565,250
Total	$ 55,775,000	$ 148,282,325	$ 204,057,325

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

Election 2010, Series B Bonds

In fiscal year 2012-13, the District issued $25,000,000 in Direct Payment Qualified School Construction Bonds. The Bonds require principal and interest payments through August 1, 2034. Annual interest rates for these Bonds range from 4.15% to 4.92%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2014	$ -	$ 1,155,888	$ 1,155,888
2015	-	1,155,888	1,155,888
2016	-	1,155,888	1,155,888
2017	-	1,155,888	1,155,888
2018	-	1,155,888	1,155,888
2019 - 2023	-	5,779,438	5,779,438
2024 - 2028	9,625,000	4,780,844	14,405,844
2029 - 2033	-	3,782,250	3,782,250
2034 - 2035	15,375,000	1,134,675	16,509,675
Total	$ 25,000,000	$ 21,256,647	$ 46,256,647

2012 General Obligation Refunding Bonds

In fiscal year 2012-13, the District issued $13,265,000 in General Obligation Refunding Bonds. The Bonds were issued to advance refund a portion of the Election of 2004, Series A Bonds and current refund the 2003 Refunding Bonds. The Bonds require principal and interest payments through August 1, 2026. Annual interest rates for these Bonds range from 3.00% to 5.00%. The refunding transaction resulted in a net savings to the District of approximately $835,000. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2014	$ 485,000	$ 514,275	$ 999,275
2015	495,000	497,100	992,100
2016	575,000	476,200	1,051,200
2017	600,000	452,700	1,052,700
2018	1,115,000	417,900	1,532,900
2019 - 2023	5,780,000	1,338,725	7,118,725
2024 - 2027	4,215,000	275,275	4,490,275
Total	$ 13,265,000	$ 3,972,175	$ 17,237,175

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

Election of 2010, Series C

In fiscal year 2012-13, the District issued $18,003,211 in General Obligation Refunding Bonds. The Bonds consist of $8,340,000 in current interest bonds and $9,663,211 in capital appreciation bonds. The Bonds mature on August 1, 2052. Annual interest rates for these Bonds are 4.25%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2014	$ -	$ 354,450	$ 354,450
2015	-	354,450	354,450
2016	-	354,450	354,450
2017	-	354,450	354,450
2018	-	354,450	354,450
2019 - 2023	-	1,772,250	1,772,250
2024 - 2028	-	1,772,250	1,772,250
2029 - 2033	-	1,772,250	1,772,250
2034 - 2038	451,731	8,470,519	8,922,250
2039 - 2043	2,899,854	12,962,396	15,862,250
2044 - 2048	2,898,921	18,939,389	21,838,310
2049 - 2053	11,752,705	29,689,404	41,442,109
Total	$ 18,003,211	$ 77,150,708	$ 95,153,919

C. Certificates of Participation

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

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 01, 2012	Additions	Deductions	Outstanding June 30, 2013
October 7, 1998	Refunded	3.75% - 4.70%	$ 11,720,000	$ 7,490,000	$ -	$ 7,490,000	$ -
January 11, 2001	Refunded	3.50% - 4.40%	3,000,000	1,155,000	-	1,155,000	-
July 20, 2010	June 1, 2035	3.00% - 5.00%	20,510,000	20,185,000	-	900,000	19,285,000
October 1, 2012	September 1, 2023	2.54%	7,050,000	-	7,050,000	-	7,050,000
				$ 28,830,000	$ 7,050,000	$ 9,545,000	$ 26,335,000

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

In October 1998, the Pittsburg Unified School District Financing Corporation issued Certificates of Participation in the amount of $11,720,000, with interest rates of 3.75% to 4.40%. The amounts were fully refunded during the year ended June 30, 2013. The net proceeds deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded Certificates of Participation are considered to be defeased, and the related liability has been removed from the District's liabilities.

NOTE 8 – LONG-TERM DEBT (continued)

C. Certificates of Participation (continued)

In January 2001, the Pittsburg Unified School District Financing Corporation issued Certificates of Participation in the amount of $3,000,000, with interest rates of 3.50% to 4.40%. The amounts were fully refunded during the year ended June 30, 2013. The net proceeds deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded Certificates of Participation are considered to be defeased, and the related liability has been removed from the District's liabilities.

In July 2010, the Pittsburg Unified School District Financing Corporation issued Certificates of Participation in the amount of $20,510,000, with interest rates ranging from 3.00% to 5.00%.

Year Ended June 30,	Principal	Interest	Total
2014	$ 950,000	$ 892,094	$ 1,842,094
2015	1,025,000	854,094	1,879,094
2016	1,325,000	813,094	2,138,094
2017	735,000	760,094	1,495,094
2018	275,000	730,694	1,005,694
2019 - 2023	2,135,000	3,457,188	5,592,188
2024 - 2028	3,735,000	2,864,850	6,599,850
2029 - 2033	5,940,000	1,730,000	7,670,000
2034 - 2035	3,165,000	240,750	3,405,750
Total	$ 19,285,000	$ 12,342,858	$ 31,627,858

In October 2012, the Pittsburg Unified School District Financing Corporation issued Certificates of Participation in the amount of $7,050,000, with an interest rate of 2.54%. These Certificates of Participation were issued to refund the outstanding amounts of the Certificates of Participation issued in October 1998 and January 2001. The refunding transaction results in a net savings to the District of approximately $1,300,000.

Year Ended June 30,	Principal	Interest	Total
2014	$ 740,000	$ 169,672	$ 909,672
2015	720,000	151,130	871,130
2016	745,000	132,525	877,525
2017	550,000	116,078	666,078
2018	570,000	101,854	671,854
2019 - 2023	3,070,000	281,813	3,351,813
2024	655,000	8,319	663,319
Total	$ 7,050,000	$ 961,391	$ 8,011,391

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2013:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	$ 25,000	$ -	$ -	$ 5,000	$ 30,000
Stores inventory	-	-	-	45,989	45,989
Total non-spendable	25,000	-	-	50,989	75,989
Restricted					
Educational programs	3,891,219	-	-	76,978	3,968,197
Capital projects	-	35,425,892	-	8,373,908	43,799,800
Debt service	-	-	8,575,702	-	8,575,702
All others	-	-	-	1,201,654	1,201,654
Total restricted	3,891,219	35,425,892	8,575,702	9,652,540	57,545,353
Committed					
Other commitments	-	-	-	1,863,985	1,863,985
Total committed	-	-	-	1,863,985	1,863,985
Assigned					
Special reserve	7,341,791	-	-	-	7,341,791
Site discretionary carryover	612,764	-	-	-	612,764
CCCSIG carryover	29,290	-	-	-	29,290
Parcel tax carryover	859,930	-	-	-	859,930
Total assigned	8,843,775	-	-	-	8,843,775
Unassigned					
Reserve for economic uncertainties	2,642,446	-	-	-	2,642,446
Remaining unassigned	931,197	-	-	-	931,197
Total unassigned	3,573,643	-	-	-	3,573,643
Total	$ 16,333,637	$ 35,425,892	$ 8,575,702	$ 11,567,514	$ 71,902,745

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

NOTE 10 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

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

NOTE 10 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

A. Plan Description and Contribution Information (continued)

Membership of the plan as of the latest actuarial valuation consisted of the following:

Retirees and beneficiaries receiving benefits	197
Active plan members	861
Total*	1,058
Number of participating employers	1

*As of March 1, 2012 actuarial study

B. Funding Policy

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

As of June 30, 2013, the District has established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors with plan assets of $662,307 as of the date of the actuarial study.

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 2,313,260
Interest on net OPEB obligation	200,811
Adjustment to annual required contribution	(261,260)
Annual OPEB cost (expense)	2,252,811
Contributions made	(666,185)
Increase (decrease) in net OPEB obligation	1,586,626
Net OPEB obligation, beginning of the year	4,016,213
Net OPEB obligation, end of the year	$ 5,602,839

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2013 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2013	$ 2,252,811	30%	$ 5,602,839
2012	$ 2,273,827	39%	$ 4,016,213
2011	$ 1,598,386	48%	$ 2,619,898

D. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
March 1, 2012	$ 662,307	$ 17,186,957	$ 16,524,650	4%	$ 53,742,758	31%

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

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

E. **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation Date	3/1/2012
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level-percentage of payroll
Remaining Amortization Period	28
Asset Valuation	Market Value Basis
Actuarial Assumptions:	
Investment rate of return	5.0%
Health care trend rate	4.0%

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS

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

California 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 and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2012-13	$ 3,268,075	100%
2011-12	$ 3,065,827	100%
2010-11	$ 2,891,563	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $1,814,149 to CalSTRS (5.176% of 2010-11 creditable compensation subject to CalSTRS).

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

California Public Employees' Retirement System (CalPERS)

Plan Description
The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street; Sacramento, CA 95811.

Funding Policy
Active plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2012-13	$ 1,632,143	100%
2011-12	$ 1,470,754	100%
2010-11	$ 1,343,982	100%

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2013.

C. Construction Commitments

As of June 30, 2013, the District had commitments with respect to unfinished capital projects from its various bond funds.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

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

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

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

The relationship between the Pittsburg Unified School District and the JPAs are such that neither of the JPAs is a component unit of the District for financial reporting purposes. The audited financial statements are generally available from the respective entities.

REQUIRED SUPPLEMENTARY INFORMATION

PITTSBURG UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
Revenue limit sources	$ 48,869,669	$ 53,830,548	$ 54,048,072	$ 217,524
Federal sources	6,031,629	6,965,932	5,986,821	(979,111)
Other state sources	15,624,282	17,289,121	17,720,908	431,787
Other local sources	8,033,153	7,002,345	5,771,895	(1,230,450)
Total Revenues	78,558,733	85,087,946	83,527,696	(1,560,250)
EXPENDITURES				
Certificated salaries	38,016,736	39,486,621	39,206,350	280,271
Classified salaries	11,138,587	12,121,239	12,264,003	(142,764)
Employee benefits	17,528,646	17,841,449	17,688,758	152,691
Books and supplies	3,820,118	4,320,688	3,612,513	708,175
Services and other operating expenditures	9,966,389	10,493,410	11,958,579	(1,465,169)
Capital outlay	228,524	312,713	368,934	(56,221)
Other outgo				
Excluding transfers of indirect costs	38,416	188,416	225,021	(36,605)
Transfers of indirect costs	(442,409)	(570,409)	(373,052)	(197,357)
Total Expenditures	80,295,007	84,194,127	84,951,106	(756,979)
Excess (Deficiency) of Revenues Over Expenditures	(1,736,274)	893,819	(1,423,410)	(2,317,229)
Other Financing Sources (Uses)				
Transfers in	4,000,000	4,000,000	-	(4,000,000)
Transfers out	(1,897,766)	(1,897,766)	(3,130,421)	(1,232,655)
Net Financing Sources (Uses)	2,102,234	2,102,234	(3,130,421)	(5,232,655)
NET CHANGE IN FUND BALANCE	365,960	2,996,053	(4,553,831)	(7,549,884)
Fund Balance - Beginning	10,771,723	13,545,677	13,545,677	-
Fund Balance - Ending	$ 11,137,683	$ 16,541,730	$ 8,991,846	$ (7,549,884)

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On behalf payments of $1,814,149 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

See accompanying note to required supplementary information.

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
March 1, 2012	$ 662,307	$ 17,186,957	$ 16,524,650	4%	$ 53,742,758	31%
July 1, 2009	$ 300,000	$ 13,719,382	$ 13,419,382	2%	$ 48,440,232	28%

See accompanying note to required supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial 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 total unfunded actuarial liability (or funding excess) to annual covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2013, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Classified salaries	$ 12,121,239	$ 12,264,003	$ 142,764
Services and other operating expenditures	$ 10,493,410	$ 11,958,579	$ 1,465,169
Capital outlay	$ 312,713	$ 368,934	$ 56,221
Other outgo			
Excluding transfers of indirect costs	$ 188,416	$ 225,021	$ 36,605

SUPPLEMENTARY INFORMATION

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A Cluster			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 2,433,260
Title I, Part A, Program Improvement LEA Corrective Action Plan	84.010	14955	253,856
Subtotal Title I, Part A Cluster			2,687,116
Title I, Part B, Reading First Program	84.357	14328	23,310
Adult Education Grants			
Adult Education: Adult Secondary Education	84.002	13978	50,669
Adult Education: English Literacy and Civics Education	84.002A	14109	75,374
Adult Education: Basic Education	84.002A	14508	147,356
Subtotal Adult Education Grants			273,399
Title II, Part A, Teacher Quality	84.367A	14341	489,925
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512	433,612
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	355,680
Department of Rehab: Workability II, Transition Partnership	84.158	10006	124,687
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,430,681
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	129,297
Part B, Preschool Grants	84.173	13430	65,378
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	224,052
IDEA Quality Assurance Focused Monitoring	84.027A	13693	40,200
Subtotal Special Education Cluster			1,889,608
Vocational Grants			
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	15,266
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 132 (Carl Perkins Act)	84.048	14894	64,095
Subtotal Vocational Grants			79,361
Advanced Placement Test Fee Program	84.330B	*	2,480
Total U. S. Department of Education			6,359,178
U.S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	23668	57,486
National School Lunch Program	10.555	13391	3,079,250
Especially Needy Breakfast	10.553	13526	993,413
USDA Commodities	10.555	*	260,641
Meal Supplements	10.555	13528	130,964
Subtotal Child Nutrition Cluster			4,521,754
Child and Adult Food Care Program	10.558	13665	517,917
Total U. S. Department of Agriculture			5,039,671
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through California Department of Health Services:			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	28,080
Medi-Cal Administrative Activities	93.778	10060	25,251
Subtotal Medicaid Cluster			53,331
Total U. S. Department of Health & Human Services			53,331
Total Federal Expenditures			$ 11,452,180

* - PCS Number not available or not applicable

See accompanying note to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2013

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	771	771
First through third	2,408	2,408
Fourth through sixth	2,304	2,298
Seventh through eighth	1,461	1,459
Opportunity schools	27	28
Home and hospital	3	3
Special education	152	156
Total Elementary	7,126	7,123
SECONDARY		
Regular classes	2,510	2,482
Continuation education	186	190
Opportunity schools	16	16
Home and hospital	5	6
Special education	200	193
Total Secondary	2,917	2,887
Average Daily Attendance Total	10,043	10,010

See accompanying note to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2013

	1982-83		1986-87				
Grade Level	Actual Minutes	Actual Minutes Reduced	Minutes Requirement	Minutes Requirement Reduced	2012-13 Actual Minutes	Number of Days	Status
Kindergarten	31,500	30,625	36,000	35,000	35,100	180	Complied
Grade 1	48,230	46,890	50,400	49,000	52,730	180	Complied
Grade 2	48,230	46,890	50,400	49,000	52,730	180	Complied
Grade 3	48,230	46,890	50,400	49,000	52,730	180	Complied
Grade 4	51,030	49,613	54,000	52,500	54,195	180	Complied
Grade 5	51,030	49,613	54,000	52,500	54,195	180	Complied
Grade 6	56,464	54,896	54,000	52,500	59,778	180	Complied
Grade 7	56,464	54,896	54,000	52,500	59,778	180	Complied
Grade 8	56,464	54,896	54,000	52,500	59,778	180	Complied
Grade 9	57,580	55,981	64,800	63,000	64,978	180	Complied
Grade 10	57,580	55,981	64,800	63,000	64,978	180	Complied
Grade 11	57,580	55,981	64,800	63,000	64,978	180	Complied
Grade 12	57,580	55,981	64,800	63,000	64,978	180	Complied

See accompanying note to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

	2014 (Budget)	2013	2012	2011
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	$ 91,856,700	$ 83,527,696	$ 83,342,368	$ 79,748,062
Expenditures And Other Financing Uses	92,661,097	88,081,527	80,638,972	82,199,722
Net change in Fund Balance	$ (804,397)	$ (4,553,831)	$ 2,703,396	$ (2,451,660)
Ending Fund Balance	$ 8,187,449	$ 8,991,846	$ 12,879,837	$ 10,176,441
Available Reserves*	$ 3,786,289	$ 3,573,643	$ 6,564,233	$ 3,395,387
Available Reserves As A Percentage Of Outgo	4.09%	4.06%	8.14%	4.13%
Long-term Debt	$ 225,467,322	$ 232,743,885	$ 197,105,848	$ 172,266,097
Average Daily Attendance At P-2	10,043	10,043	9,843	9,410

The General Fund balance has decreased by $1,184,595 over the past two years. The fiscal year 2013-14 budget projects a further decrease of $804,397. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2013-14 fiscal year. Total long term obligations have increased by $60,477,788 over the past two years.

Average daily attendance has increased by 633 ADA over the past two years. No change in ADA is anticipated during the 2013-14 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On behalf payments of $1,814,149 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

See accompanying note to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects
June 30, 2013, annual financial and budget report fund balance	$ 8,991,846	$ 7,341,791
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	7,341,791	(7,341,791)
Net adjustments and reclassifications	7,341,791	(7,341,791)
June 30, 2013, audited financial statement fund balance	$ 16,333,637	$ -

See accompanying note to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2013

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
ASSETS								
Cash and cash equivalents	$ -	$ -	$ 452,482	$ 240,462	$ 3,133,458	$ -	$ 3,750,959	$ 7,577,361
Accounts receivable	516,958	240,553	782,593	-	1,245,199	-	301,552	3,186,855
Due from other funds	1,969,042	-	-	-	136,401	-	536,751	2,642,194
Stores inventory	-	-	45,989	-	-	-	-	45,989
Total Assets	$ 2,486,000	$ 240,553	$ 1,281,064	$ 240,462	$ 4,515,058	$ -	$ 4,589,262	$ 13,452,399
LIABILITIES								
Deficit cash	$ 834,480	$ 171,651	$ -	$ -	$ -	$ -	$ -	$ 1,006,131
Accrued liabilities	7,631	220	33,421	1,933	23,758	-	39,502	106,465
Due to other funds	61,009	-	-	-	536,751	-	136,401	734,161
Unearned revenue	43,928	-	-	-	-	-	-	43,928
Total Liabilities	947,248	171,871	33,421	1,933	560,509	-	169,903	1,884,885
FUND BALANCES								
Non-spendable	5,000	-	45,989	-	-	-	-	50,989
Restricted	8,296	68,682	1,201,654	-	3,954,549	-	4,419,359	9,652,540
Committed	1,625,456	-	-	238,529	-	-	-	1,863,985
Total Fund Balances	1,638,752	68,682	1,247,643	238,529	3,954,549	-	4,419,359	11,567,514
Total Liabilities and Fund Balance	$ 2,586,000	$ 240,553	$ 1,281,064	$ 240,462	$ 4,515,058	$ -	$ 4,589,262	$ 13,452,399

See accompanying note to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
REVENUES								
Federal sources	$ 413,352	$ 149,399	$ 5,039,672	$ -	$ -	$ -	$ -	$ 5,602,423
Other state sources	-	1,150,532	320,152	355,221	-	11,069,508	-	12,895,433
Other local sources	155,953	71,002	435,206	2,291	447,631	14,951	852,116	1,988,550
Total Revenues	569,305	1,370,933	5,795,030	357,512	447,631	11,084,459	852,116	20,486,406
EXPENDITURES								
Current								
Instruction	1,678,899	965,221	-	-	-	-	-	2,644,120
Instruction-related services								
School site administration	772,265	285,619	-	-	-	-	-	1,057,884
Pupil services								
Food services	-	8,562	5,935,089	-	-	-	-	5,943,651
All other pupil services	14,157	-	-	-	-	-	-	14,157
General administration								
All other general administration	67,445	78,923	226,685	-	-	-	-	373,053
Plant services	173,229	69,460	30,275	-	121,507	-	-	394,471
Facilities acquisition and maintenance	34,840	-	-	856,278	7,598,201	11,157,791	505,606	20,152,816
Transfers to other agencies	-	-	-	-	250,000	-	-	250,000
Debt service								
Principal	-	-	-	-	2,495,000	-	-	2,495,000
Interest and other	-	-	-	-	958,837	-	-	958,837
Total Expenditures	2,740,835	1,407,785	6,192,049	856,278	11,422,645	11,157,791	505,606	34,313,989
Excess (Deficiency) of Revenues Over Expenditures	(2,171,530)	(36,852)	(397,019)	(528,766)	(10,976,614)	(73,332)	356,510	(13,827,583)
Other Financing Sources (Uses)								
Transfers in	1,897,766	57,655	-	-	-	-	-	1,955,421
Other sources	-	-	-	-	7,050,000	-	-	7,050,000
Other uses	-	-	-	-	(7,050,000)	-	-	(7,050,000)
Net Financing Sources (Uses)	1,897,766	57,655	-	-	-	-	-	1,955,421
NET CHANGE IN FUND BALANCE	(273,764)	20,823	(397,019)	(528,766)	(10,976,614)	(73,332)	356,510	(11,872,162)
Fund Balance - Beginning	1,912,516	47,859	1,644,662	767,295	14,931,163	73,332	4,062,849	23,439,676
Fund Balance - Ending	$ 1,638,752	$ 68,682	$ 1,247,643	$ 238,529	$ 3,954,549	$ -	$ 4,419,359	$ 11,567,514

See accompanying note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2013 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2013.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		$11,589,244
Medi-Cal Billing Option	93.778	(16,017)
School Improvement Grants	84.377	28,352
Child Development: Federal Child Care	93.596	(149,399)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$11,452,180

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code Section* 46201. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to *Education Code Section 46201.2*.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Combining Statements – Non-Major Funds

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

Local Education Agency Organization Structure

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

OTHER INDEPENDENT AUDITORS' REPORTS

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

Independent Auditors' Report

Governing Board
Pittsburg Unified School District
Pittsburg, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pittsburg Unified School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Pittsburg Unified School District's basic financial statements, and have issued our report thereon dated December 10, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pittsburg Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pittsburg Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pittsburg Unified School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2013-1)

Compliance and Other Matters

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

Pittsburg Unified School District's Response to Findings

Pittsburg Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Pittsburg Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White Associates

San Diego, California
December 10, 2013

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Independent Auditors' Report

Governing Board
Pittsburg Unified School District
Pittsburg, California

Report on Compliance for Each Major Federal Program

We have audited Pittsburg Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Pittsburg Unified School District's major federal programs for the year ended June 30, 2013. Pittsburg Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pittsburg Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pittsburg Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pittsburg Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Pittsburg Unified School District complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of Pittsburg Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pittsburg Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Pittsburg Unified School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California
December 10, 2013

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REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
Pittsburg Unified School District
Pittsburg, California

Report on State Compliance

We have audited Pittsburg Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2012-13*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Pittsburg Unified School District's state programs for the fiscal year ended June 30, 2013, as identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pittsburg Unified School District's state programs based on our audit of the types of compliance requirements referred to above. 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 Education Agencies 2012-13*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Pittsburg Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Pittsburg Unified School District's compliance with those requirements.

Opinion on State Compliance

In our opinion, Pittsburg Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2013.

Procedures Performed

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

PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time for:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction (including in charter schools):		
General requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or charter schools with only one school serving K - 3	4	Not Applicable

PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Yes
Contemporaneous Records of Attendance; for charter schools	1	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	4	Not Applicable

Christy White Associates

San Diego, California
December 10, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PITTSBURG UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

CFDA Number(s)	Name of Federal Program of Cluster
10.553, 10.555	Child Nutrition Cluster
10.558	Child and Adult Food Care Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 343,565
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over state programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for state programs:	Unmodified

FIVE DIGIT CODE	AB 3627 FINDING TYPE
20000	Inventory of Equipment
30000	Internal Control

FINDING #2013-1: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000)

Criteria: Proper internal controls are necessary to ensure the safeguard over the Associated Student Body (ASB) assets. Maintaining sound internal control procedures reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: A summary of the internal control deficiencies observed are listed below:

Martin Luther King Jr., Junior High

Disbursements

- 1 out of 7 disbursements tested was missing an approval form to provide authorization for the purchase
- 6 out of 7 disbursements tested had approval forms that were missing an approval signature from the ASB/Club Advisor and a student representative. The approval forms were only signed by the Principal
- The bank account has a debit card associated with it. Purchases have been made online using this debit card. The standard approval form/process is not followed for these online purchases. There is a greater risk of misuse of ASB assets with the presence of a debit card including inappropriate uses of ASB funds and ability to withdraw cash from the account

Cash Receipts

- 5 out of 10 cash receipts tested lacked adequate supporting documentation to reconcile the amount of sales/collections to the amount deposited

Pittsburg High School

Disbursements

- 1 out of 15 disbursements tested was missing an approval form to provide authorization for the purchase

Cash Receipts

- 5 out of 12 cash receipts tested lacked adequate supporting documentation to reconcile the amount of sales/collections to the amount deposited
- 3 out of 12 cash receipts tested showed that there were large shortages between the amount deposited and the amount of sales.
- 2 out of 12 cash receipts tested were not deposited timely

FINDING #2013-1: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000) (continued)

Condition (continued): A summary of the internal control deficiencies observed are listed below:

Hillview Junior High

Cash Receipts

- 4 out of 10 cash receipts tested were not deposited timely
- 2 out of 10 cash receipts tested lacked adequate supporting documentation to reconcile the amount of sales/collections to the amount deposited

Cause: Insufficient controls over student body activities.

Effect: The potential for irregularities to go undetected.

Perspective: We audited 5 ASBs at the school sites selected for testing in fiscal year 2012-13. Our audit included an evaluation of internal control procedures over: cash disbursements, cash receipts, and ASB organization.

Recommendation: The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

District Response: The District provided two ASB trainings in September 2013. The first training was conducted by the auditing firm, Christy White and Associates, to develop an overall understanding of the rules and regulations surrounding ASB activities for both new and returning personnel responsible for ASB. The second training was conducted by the ASB software firm ASB Works, which our school sites use for tracking ASB activities, to learn how to implement the rules through the ASB software. We are also maintaining the monthly site visits to each school site and have started a quarterly ASB roundtable to share knowledge on how different sites handle situations to develop District-wide Best Practices.

PITTSBURG UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

FIVE DIGIT CODE	AB 3627 FINDING TYPE
50000	Federal Compliance

There were no federal award findings and questioned costs for the year ended June 30, 2013.

PITTSBURG UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
41000	CalSTRS
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no state award findings and questioned costs for the year ended June 30, 2013.

FINDING #2012-1: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000)

Criteria: Proper internal controls are necessary to ensure the safeguard over the Associated Student Body (ASB) assets. Maintaining sound internal control procedures reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: A summary of the internal control deficiencies observed are listed below:

Hillview Jr. High

- 3 out of 8 cash receipts selections had a sales/fundraising activity that could not be reconciled to receipts due to lack of supporting documentation (i.e. tally sheets, individualized receipts, etc.)

Pittsburg High School

- 2 out of 15 cash receipts selections had a sales/fundraising activity that could not be reconciled to receipts due to lack of supporting documentation (i.e. tally sheets, individualized receipts, etc.)
-

Riverside Continuation High School

- The attendance clerk is the only authorized signer on the Student Body Funds account and checks are only required to have one signature. Double signature requirement for checks is recommended.

General Comments

The ASB System is not properly generating financial statements. We noted that no sites were able to produce an adequate income statement for the 2011-12 school year. Outstanding deposits greater than one month were present for Pittsburg High School's ASB. Stale dated checks over 1 year were noted at several ASBs.

Cause: Insufficient controls over student body activities.

Effect: The potential for irregularities in accounting to go undetected.

Perspective: We audited 5 ASBs at the school sites selected for testing in fiscal year 2011-12. Our audit included an evaluation of internal control procedures over: cash disbursements, cash receipts, and ASB organization.

FINDING #2012-1: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000) (continued)

Recommendation: The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

District Response: The District provided FCMAT training in ASB Management in April 2011. FCMAT training in ASB Management will again be provided in January 2012, at the Contra Costa County Office of Education, based on an updated version of the FCMAT ASB Management Manual. The District is also conducting monthly visits and individual site training with each ASB site to ensure internal controls are met.

Current Status: Partially implemented, see Finding #2013-1.

FINDING #2013-2: BANK ACCOUNTS AND RECONCILIATIONS (30000)

Criteria: All District cash receipts should be properly supported by receipts and refund detail maintained. Individual receipts should be traceable to deposits to ensure timely and complete deposits.

Condition: In our testing of cash in banks and cash with fiscal agent, it was determined that the reconciliations were not prepared timely and accurately.

Cause: Staff in-charge of accounts were not preparing reconciliations in good form.

Effect: Lack of sound internal controls and potential for misappropriation of District assets.

Perspective: There was an adjustment necessary to properly state the District's cash with fiscal agent balance. Also, two of two cash in bank balances tested had an immaterial discrepancy, and no reconciliation or explanation for this variance was noted.

Recommendation: We recommend that staff responsible for these accounts be trained on proper documentation, and preparation of reconciliation to avoid possible misstatements.

District Response: The District has added a second review and approval to all bank account reconciliations to ensure all bank account reconciliations are prepared timely and accurately.

Current Status: Implemented.

APPENDIX D

EXERPTS FROM THE COUNTY INVESTMENT PORTFOLIO REPORT

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CONTRA COSTA COUNTY

TREASURER'S QUARTERLY INVESTMENT REPORT

AS OF DECEMBER 31, 2013

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EXECUTIVE SUMMARY

- The Treasurer's investment portfolio is in compliance with Government Code 53600 et. seq..

- The Treasurer's investment portfolio is in compliance with the Treasurer's current investment policy.

- The Treasurer's investment portfolio has no securities lending, reverse repurchase agreements or derivatives.

- As of 12/31/13, the fair value of the Treasurer's investment portfolio was 99.92% of the cost. More than 86 percent of the portfolio or over $2.09 billion will mature in less than a year. Historical activities combined with future cash flow projections indicate that the County is able to meet its cash flow needs for the next six months.

- Treasurer's Investment Portfolio Characteristics

Par	$2,418,959,136.32
Cost	$2,424,376,634.17
Market Value	$2,422,402,852.76
Weighted Yield to Maturity	0.35%
Weighted Average Days to Maturity	165 days
Weighted Duration	0.45 year

CONTRA COSTA COUNTY INVESTMENT POOL
As of December 31, 2013

TYPE	PAR VALUE	COST	FAIR VALUE	PERCENT OF TOTAL COST
A. Investments Managed by Treasurer's Office				
1. U.S. Treasuries (STRIPS, Bills, Notes)	$25,377,000.00	$26,734,835.31	$26,363,012.69	1.10%
2. U.S. Agencies				
Federal Agriculture Mortgage Corporation	0.00	0.00	0.00	0.00%
Federal Home Loan Banks	41,615,000.00	42,002,618.18	41,904,049.86	1.73%
Federal National Mortgage Association	85,227,000.00	86,688,671.33	85,693,725.20	3.58%
Federal Farm Credit Banks	44,480,000.00	44,562,992.91	44,540,643.69	1.84%
Federal Home Loan Mortgage Corporation	72,180,000.00	73,898,497.87	72,994,173.09	3.05%
Municipal Bonds	7,080,000.00	7,358,987.84 [1]	7,358,987.84 [1]	0.30%
Subtotal	250,582,000.00	254,511,768.13	252,491,579.68	10.50%
3. Money Market Instruments				
Bankers Acceptances	0.00	0.00	0.00	0.00%
Repurchase Agreement	0.00	0.00	0.00	0.00%
Commercial Paper	745,242,000.00	744,624,023.67	744,813,939.99	30.71%
Negotiable Certificates of Deposit	569,077,000.00	569,080,425.20	569,235,496.37	23.47%
Medium Term Certificates of Deposit	0.00	0.00	0.00	0.00%
Corporate Notes	98,765,000.00	99,084,332.27	99,162,984.75	4.09%
Money Market Accounts	565,318.32	565,318.32	565,318.32	0.02%
Time Deposit	3,200.00	3,200.00	3,200.00	0.00%
Subtotal	1,413,652,518.32	1,413,357,299.46	1,413,780,939.43	58.30%
TOTAL (Section A.)	1,689,611,518.32	1,694,603,902.90	1,692,635,531.80	69.90%
B. Investments Managed by Outside Contractors				
1. Local Agency Investment Fund	222,883,568.71	222,883,568.71	222,947,674.39 [2]	9.19%
2. Other				
a. EBRCS Bond	2,455,113.76	2,455,113.76	2,455,113.76	0.10%
b. Miscellaneous (BNY, CCFCU)	111,568.72	111,568.72	111,568.72	0.00%
c. Wells Capital Management	43,989,338.83	44,414,452.10	44,344,936.11	1.83%
d. CalTRUST (Short-Term Fund)	117,975,596.74	117,975,596.74	117,975,596.74	4.87%
Subtotal	164,531,618.05	164,956,731.32	164,887,215.33	6.80%
TOTAL (Section B.)	387,415,186.76	387,840,300.03	387,834,889.72	16.00%
C. Cash	341,932,431.24	341,932,431.24	341,932,431.24	14.10%
[3]GRAND TOTAL (FOR A , B, & C)	$2,418,959,136.32	$2,424,376,634.17	$2,422,402,852.76	100.00%

Notes:

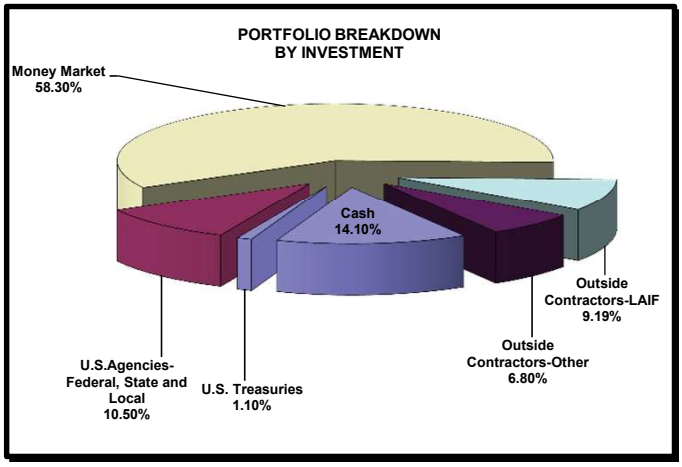
1. Fair Value equals Cost less purchase interest

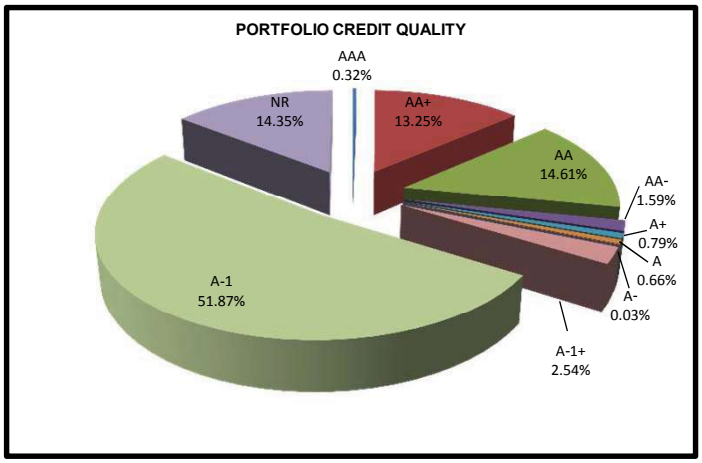
2. Estimated Fair Value

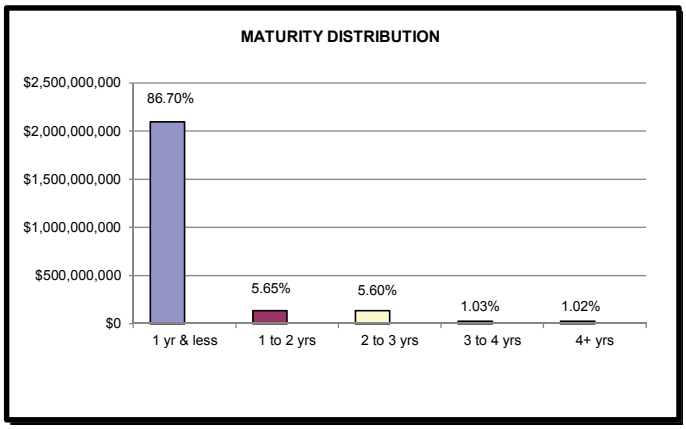
3. Does not include the Futuris Public Entity Trust of the Contra Costa Community College District Retirement Board of Authority

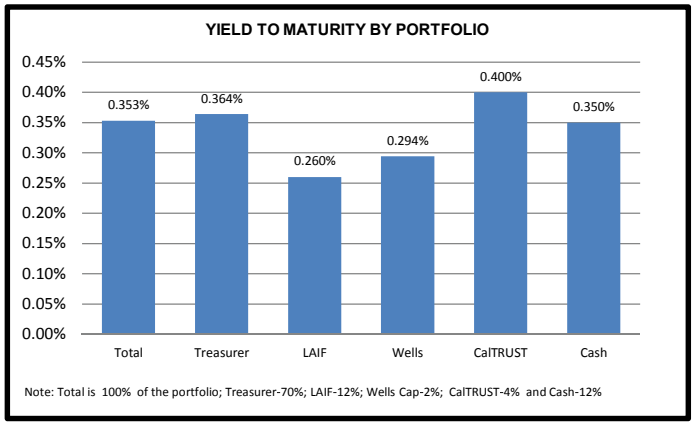
CONTRA COSTA COUNTY
INVESTMENT POOL
AT A GLANCE

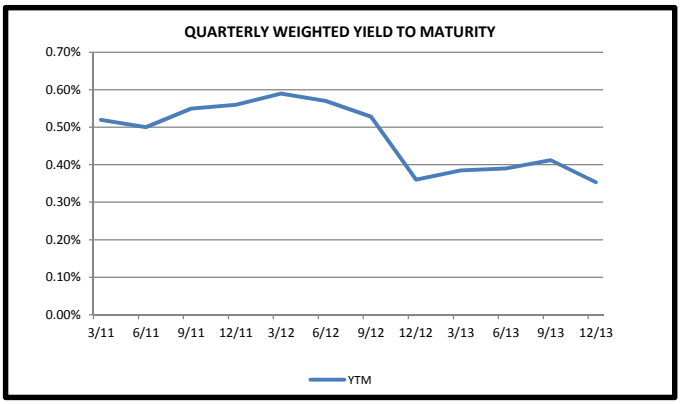
AS OF DECEMBER 31, 2013

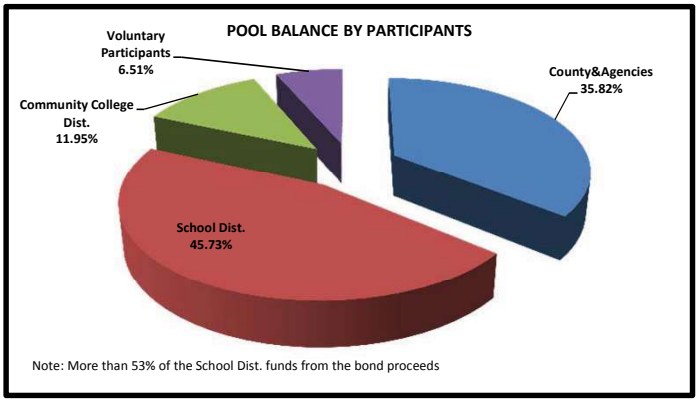












NOTES TO INVESTMENT PORTFOLIO SUMMARY AND AT A GLANCE AS OF DECEMBER 31, 2013

1. All report information is unaudited but due diligence was utilized in its preparation.
2. There may be slight differences between the portfolio summary page and the attached exhibits and statements for investments managed by outside contractors or trustees. The variance is due to the timing difference in recording transactions associated with outside contracted parties during interim periods and later transmitted to the appropriate county agency and/or the Treasurer's Office. In general, the Treasurer's records reflect booked costs at the beginning of a period.
3. All securities and amounts included in the portfolio are denominated in United States Dollars.
4. The Contra Costa County investment portfolio maintains Standard & Poor's highest credit quality rating of AAAf and lowest volatility of S1+. The portfolio consists of a large portion of short-term investments with credit rating of A-1/P-1 or better. The majority of the long-term investments in the portfolio are rated AA or better.
5. In accordance with Contra Costa County's Investment Policy, the Treasurer's Office has constructed a portfolio that safeguard the principal, meet the liquidity needs and achieve a return. As a result, more than 86% of the portfolio will mature in less than a year with a weighted average maturity of 165 days.

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APPENDIX E

FORMS OF OPINION OF BOND COUNSEL

Pittsburg Unified School District
(Contra Costa County, California)
General Obligation Bonds, Election of 2010, Series D (2014)

[Letterhead of Quint & Thimmig LLP]

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

OPINION: $12,500,000 Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2010, Series D (2014)

Members of the Board of Trustees:

We have acted as bond counsel to the Pittsburg Unified School District (the "District") in connection with the issuance by the District of $12,500,000 principal amount of Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2010, Series D (2014) (the "Bonds"), pursuant to provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), and a resolution adopted by the Board of Trustees of the District on March 12, 2014 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

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

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

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

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

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

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

Respectfully submitted,

Pittsburg Unified School District
(Contra Costa County, California)
2014 General Obligation Refunding Bonds

[Letterhead of Quint & Thimmig LLP]

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

OPINION: $9,985,000 Pittsburg Unified School District (Contra Costa County, California) 2014 General Obligation Refunding Bonds

---

Members of the Board of Trustees:

We have acted as bond counsel to the Pittsburg Unified School District (the "District") in connection with the issuance by the District of $9,985,000 principal amount of Pittsburg Unified School District (Contra Costa County, California) 2014 General Obligation Refunding Bonds (the "Bonds"), pursuant to provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code (the "Act"), and a resolution adopted by the Board of Trustees of the District on March 12, 2014 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

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

4. Subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an

adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such District covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

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

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

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

Respectfully submitted,

APPENDIX F

FORMS OF CONTINUING DISCLOSURE CERTIFICATES

Pittsburg Unified School District
(Contra Costa County, California)
General Obligation Bonds, Election of 2010, Series D (2014)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the PITTSBURG UNIFIED SCHOOL DISTRICT (the "District") in connection with the issuance by the District of its $12,500,000 Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2010, Series D (2014) (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on March 20, 2014 (the "Resolution"). The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

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

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2013-14 Fiscal Year, which is due not later than March 31, 2013, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year.* If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance.* If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section

3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

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

(i) The District's approved budget for the then current fiscal year;
(ii) Assessed value of taxable property in the District as shown on the recent equalized assessment role; and
(iii) Property tax levies, collections and delinquencies for the District, for the most recent completed fiscal year.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination (if not the District) to, give notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.
(2) Unscheduled draws on debt service reserves reflecting financial difficulties.
(3) Unscheduled draws on credit enhancements reflecting financial difficulties.
(4) Substitution of credit or liquidity providers, or their failure to perform.
(5) Defeasances.
(6) Rating changes.
(7) Tender offers.
(8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
(9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Non-payment related defaults.
(2) Modifications to rights of security holders.
(3) Bond calls.
(4) The release, substitution, or sale of property securing repayment of the securities.
(5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Resolution.

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

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

Section 8. Dissemination Agent.

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

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and

expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

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

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

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

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

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

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

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth

in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

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

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

Date: [Closing Date]

PITTSBURG UNIFIED SCHOOL DISTRICT

By _____
Authorized Officer

ACKNOWLEDGED:

KNN PUBLIC FINANCE, a division of Zions
First National Bank, as Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Pittsburg Unified School District

Name of Issue: Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2010, Series D (2014)

Date of Issuance: [Closing Date]

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

Dated: _____

KNN PUBLIC FINANCE, a division of Zions First National Bank, as Dissemination Agent

By _____
Title _____

cc: Paying Agent

Pittsburg Unified School District
(Contra Costa County, California)
2014 General Obligation Refunding Bonds

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the PITTSBURG UNIFIED SCHOOL DISTRICT (the "District") in connection with the issuance by the District of its $9,985,000 Pittsburg Unified School District (County of Contra Costa, California) 2014 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on March 12, 2014 (the "Resolution"). The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

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

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2013-14 Fiscal Year, which is due not later than March 31, 2015, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year.* If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance.* If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

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

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for

preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Bonds, as follows:

(i) The District's approved budget for the then current fiscal year;

(ii) Assessed value of taxable property in the District as shown on the recent equalized assessment role; and

(iii) Property tax levies, collections and delinquencies for the District, for the most recent completed fiscal year.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination (if not the District) to, give notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.
(2) Unscheduled draws on debt service reserves reflecting financial difficulties.
(3) Unscheduled draws on credit enhancements reflecting financial difficulties.
(4) Substitution of credit or liquidity providers, or their failure to perform.
(5) Defeasances.
(6) Rating changes.
(7) Tender offers.
(8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
(9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Non-payment related defaults.
(2) Modifications to rights of security holders.
(3) Bond calls.
(4) The release, substitution, or sale of property securing repayment of the securities.
(5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such

an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Resolution.

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

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

Section 8. Dissemination Agent.

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

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

(c) *Responsibilities of Dissemination Agent.* In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to

provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

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

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

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

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

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

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

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District

to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

Date: [Closing Date]

PITTSBURG UNIFIED SCHOOL DISTRICT

By _____
Authorized Officer

ACKNOWLEDGED:

KNN PUBLIC FINANCE, a division of Zions
First National Bank, as Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Pittsburg Unified School District

Name of Issue: Pittsburg Unified School District (County of Contra Costa, California) 2014 General Obligation Refunding Bonds

Date of Issuance: [Closing Date]

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

Dated: _____

KNN PUBLIC FINANCE, as Dissemination Agent

By _____

Title _____

cc: Paying Agent

APPENDIX G

BOOK-ENTRY SYSTEM

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

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant

through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the District determines that DTC shall no longer act and delivers a written certificate to the Paying Agent to that effect, then the District will discontinue the Book-Entry System with DTC for the Bonds. If the District determines to replace DTC with another qualified securities depository, the District will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Resolution. If the District fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) payment of principal of and interest on the Bonds will be payable upon surrender thereof at the trust office of the Paying Agent identified in the Resolution, and (iii) the Bonds will be transferable and exchangeable as provided in the Resolution.

The District and the Paying Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of and interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Resolution; (iv) any consent given or other action taken by DTC as registered owner; or (v) any other matter arising with respect to the Bonds or the Resolution. The District and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of and interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The District and the Paying Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

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George K. Baum & Company