NEW ISSUE — BOOK-ENTRY ONLY **Rating: Moody's: "Aa3"**
(See "MISCELLANEOUS – Rating" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2014 Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2014 Refunding Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2014 Refunding Bonds. See "TAX MATTERS" herein.

$15,575,000
BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
General Obligation Refunding Bonds, Series 2014

Dated: Date of Delivery **Due: August 1, as shown herein**

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Brentwood Union School District (County of Contra Costa, California) General Obligation Refunding Bonds, Series 2014 (the "Series 2014 Refunding Bonds") are being issued by the Brentwood Union School District (the "District"), located in the County of Contra Costa, California (the "County"), (i) to refund a portion of the District's outstanding Brentwood Union Elementary School District (County of Contra Costa, California) General Obligation Bonds, Election of 2003, Series B, (ii) to refund a portion of the District's outstanding Brentwood Union School District (Contra Costa County, California) General Obligation Bonds, Election of 2003, Series C, (iii) to refund a portion of the District's outstanding Brentwood Union School District (Contra Costa County, California) 2007 General Obligation Refunding Bonds, and (iv) to pay costs of issuance of the Series 2014 Refunding Bonds. See "THE SERIES 2014 REFUNDING BONDS – Outstanding Bonds; Plan of Finance" herein.

The Series 2014 Refunding Bonds are being issued pursuant to the laws of the State of California (the "State") and a resolution of the Board of Education of the District, adopted on November 12, 2014. See "THE SERIES 2014 REFUNDING BONDS – Authority for Issuance" herein.

The Series 2014 Refunding Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and 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), for the payment of principal of and interest on the Series 2014 Refunding Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2014 REFUNDING BONDS" herein.

The Series 2014 Refunding Bonds will be issued as current interest bonds. The Series 2014 Refunding Bonds shall be issued in denominations of $5,000 principal amount and integral multiples thereof as shown on the inside cover page of this Official Statement. Interest on the Series 2014 Refunding Bonds shall be payable on February 1 and August 1 of each year, commencing on February 1, 2015.

The Series 2014 Refunding Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2014 Refunding Bonds. Individual purchases of Refunding Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series 2014 Refunding Bonds purchased by them. Payments of the principal of and interest on the Series 2014 Refunding Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as the paying agent for the Series 2014 Refunding Bonds, to DTC for subsequent disbursement through DTC Participants to the beneficial owners of the Series 2014 Refunding Bonds.

The Series 2014 Refunding Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2014 REFUNDING BONDS – Redemption" herein.

The Series 2014 Refunding Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, and certain other conditions. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District; and for the Underwriter by Nossaman LLP, as Underwriter's Counsel. It is anticipated that the Series 2014 Refunding Bonds, in definitive form, will be available for delivery through the facilities of DTC in New York, New York, on or about December 18, 2014.

STIFEL

This Official Statement is dated December 3, 2014.

MATURITY SCHEDULE
BASE CUSIP[1]: 107280

$15,575,000
BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
General Obligation Refunding Bonds, Series 2014

Maturity (August 1)	Principal Amount	Interest Rate	Initial Public Offering Yield	CUSIP Suffix[1]
2015	$ 225,000	2.000%	0.190%	KH1
2016	390,000	3.000	0.420	KJ7
2017	400,000	2.000	0.680	KK4
2018	1,095,000	5.000	0.880	KL2
2019	1,795,000	5.000	1.150	KM0
2020	1,955,000	5.000	1.420	KN8
2021	1,905,000	5.000	1.680	KP3
2022	2,070,000	5.000	1.910	KQ1
2023	1,000,000	5.000	2.100	KR9
2024	1,045,000	5.000	2.230	KS7
2025	1,100,000	5.000	2.400[C]	KT5
2026	605,000	5.000	2.550[C]	KU2
2027	635,000	5.000	2.680[C]	KV0
2028	670,000	3.000	3.220	KW8
2029	685,000	3.125	3.330	KX6

[1] CUSIP is a registered trademark of the American Bankers Association. Copyright © 2014 CUSIP Global Services. CUSIP data herein is provided by CUSIP Global Services. This data is not intended to serve as a database and does not in any way serve as a substitute for CUSIP Global Services. CUSIP numbers are provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such CUSIP numbers.

[C] Yield to call at par on August 1, 2024.

BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)

BOARD OF EDUCATION

Emil Geddes, *President*
Carlos Sanabria, *Clerk*
Jim Cushing, *Member*
Scott Dudek, *Member*
Johnny Rodriguez, *Member*

DISTRICT ADMINISTRATORS

Dana Eaton, *Superintendent*
Robin Schmitt, *Chief Business Official*

PROFESSIONAL SERVICES

Financial Advisor

Dolinka Group, LLC
Irvine, California

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Irvine, California

Paying Agent, Authentication Agent, Transfer Agent and Escrow Bank

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

Escrow Verification

Causey, Demgen & Moore P.C.
Denver, Colorado

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This Official Statement does not constitute an offering of any security other than the original offering of the Series 2014 Refunding Bonds by the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Series 2014 Refunding Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Refunding Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, 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 Series 2014 Refunding Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The Underwriter has provided the following sentence 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.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2014 Refunding Bonds.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of the Series 2014 Refunding Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2014 Refunding Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

$15,575,000
BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
General Obligation Refunding Bonds, Series 2014

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2014 Refunding Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of $15,575,000 aggregate principal amount of Brentwood Union School District (County of Contra Costa, California) General Obligation Refunding Bonds, Series 2014 (the "Series 2014 Refunding Bonds"), all as indicated on the inside front cover hereof, to be issued by the Brentwood Union School District (the "District").

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See "OTHER LEGAL MATTERS – Continuing Disclosure."

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2014 Refunding Bonds. Quotations from and summaries and explanations of the Series 2014 Refunding Bonds, a resolution of the Board of Education of the District, adopted on November 12, 2014, providing for the issuance of the Series 2014 Refunding Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2014 Refunding Bonds.

Copies of documents referred to herein and information concerning the Series 2014 Refunding Bonds are available from the District by contacting: Brentwood Union School District, 255 Guthrie Lane, Brentwood, California 94513, Attention: Superintendent. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District comprises approximately 50 square miles in the eastern part of County of Contra Costa, California (the "County"), along the south side of the Sacramento River Delta, and provides transitional kindergarten through eighth grade ("TK-8") educational services. The District operates seven elementary schools (grades K-5) and three middle schools (grades 6-8). Current District enrollment is approximately 8,476 students.

The District is governed by a five-member Board of Education, each member of which is elected to a four-year term. Elections for positions to the Board of Education are held every two years, alternating between two and three available positions. The District's day-to-day operations are managed by a board-appointed Superintendent. Dana Eaton has served as Superintendent of the District since 2013.

For additional information about the District, see APPENDIX A − "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET," and APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2014."

Changes Since Preliminary Official Statement

Changes have been made to this Official Statement since the Preliminary Official Statement dated November 25, 2014, in addition to the inclusion of pricing information, as follows: (i) the District's audited financial statements for the fiscal year ended June 30, 2014, have been included as Appendix B, replacing the District's audited financial statements for the fiscal year ended June 30, 2013, (ii) tables and text containing District financial information in Appendix A have been updated to reflect the information available in the District's audited financial statements for the fiscal year ended June 30, 2014, and (iii) with the inclusion of the District's audited financial statements for the fiscal year ended June 30, 2014, in this Official Statement, there is no need for fiscal year 2013-14 continuing disclosure and, therefore, the initial annual report under the District's continuing disclosure undertaking with respect to the Series 2014 Refunding Bonds shall be for fiscal year 2014-15. See "OTHER LEGAL MATTERS – Continuing Disclosure," APPENDIX A − "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2014."

THE SERIES 2014 REFUNDING BONDS

Authority for Issuance

The Series 2014 Refunding Bonds are being issued pursuant to provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and other applicable law, and a resolution adopted by the Board of Education of the District on November 12, 2014, providing for the issuance of the Series 2014 Refunding Bonds (the "Resolution").

Purpose of Issue

Proceeds from the Series 2014 Refunding Bonds will be used (i) to refund, on an advance basis, a portion of the District's outstanding Brentwood Union Elementary School District (County of Contra Costa, California) General Obligation Bonds, Election of 2003, Series B, (ii) to refund, on an advance basis, a portion of the District's outstanding Brentwood Union School District (Contra Costa County, California) General Obligation Bonds, Election of 2003, Series C, (iii) to refund, on an advance basis, a portion of the District's outstanding Brentwood Union School District (Contra Costa County, California) 2007 General Obligation Refunding Bonds, and (iv) to pay costs of issuance of the Series 2014 Refunding Bonds. See "−Outstanding Bonds; Plan of Finance" and "−Estimated Sources and Uses of Funds" below.

Form and Registration

The Series 2014 Refunding Bonds will be issued in book-entry 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"), and will be available to purchasers of the Series 2014 Refunding Bonds (the "Beneficial Owners") 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 receive physical

delivery of certificates from the District representing their interests in the Series 2014 Refunding Bonds being purchased. Payments of the principal of, premium, if any, and interest on the Series 2014 Refunding Bonds will be made by The Bank of New York Mellon Trust Company, N.A., the paying agent for the Series 2014 Refunding Bonds (the "Paying Agent"), to DTC, and such payments will be remitted by DTC to the participants in DTC for subsequent disbursement to the Beneficial Owners of Refunding Bonds. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

The Series 2014 Refunding Bonds shall be dated the date of their delivery, and shall bear interest at the rates set forth in the table on the inside cover page hereof, payable on February 1 and August 1 of each year, commencing on February 1, 2015 (each an "Interest Payment Date"), calculated on the basis of a 360-day year comprised of twelve 30-day months. The Series 2014 Refunding Bond shall be issued in denominations of $5,000 or any integral multiples thereof, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a date during the period from the 15th calendar day of the month immediately preceding such Interest Payment Date whether or not such day is a business day (each, a "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date for such Refunding Bonds, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Refunding Bond, interest is in default on any outstanding Refunding Bonds, such Refunding Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Refunding Bonds.

Interest on the Series 2014 Refunding Bonds shall be paid in lawful money of the United States on each Interest Payment Date. Interest shall be paid by check of the Paying Agent mailed on each Interest Payment Date (if a business day, or on the next business day if the Interest Payment Date does not fall on a business day) to the registered owners thereof (the "Owners") as of the Record Date preceding such Interest Payment Date at their respective addresses shown on the registration books (the "Registration Books") maintained by the Paying Agent or at such address as the Owner may have filed with the Paying Agent for that purpose, except that the payment shall be made by wire transfer of immediately available funds to any Owner of at least $1,000,000 of outstanding Refunding Bonds who shall have requested in writing such method of payment of interest prior to the close of business on the Record Date immediately preceding any Interest Payment Date.

The principal of the Series 2014 Refunding Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of the Paying Agent at the maturity thereof or upon redemption prior to maturity. So long as the Series 2014 Refunding Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The Series 2014 Refunding Bonds maturing on or after August 1, 2025 shall be subject to optional redemption on or after August 1, 2024, in whole or in part on any date, from any source of available funds, at a redemption price equal to the principal amount of the Series 2014 Refunding Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption.

Selection of Bonds for Redemption. If less than all of the Series 2014 Refunding Bonds are called for redemption, such Refunding Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Refunding Bonds of any one

maturity are called for redemption, the Paying Agent shall select the outstanding Refunding Bonds of such maturity to be redeemed by lot.

Notice of Redemption. Notice of any redemption of the Series 2014 Refunding Bonds shall be mailed by the Paying Agent, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the Registration Books, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate.

Each notice of redemption shall state (i) the date of such notice; (ii) the name of the Series 2014 Refunding Bonds and the date of issue of such Refunding Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Refunding Bonds to be redeemed; (vi) if less than all of the Series 2014 Refunding Bonds of any maturity are to be redeemed, the distinctive numbers of the Series 2014 Refunding Bonds of each maturity to be redeemed; (vii) in the case of Refunding Bonds redeemed in part only, the respective portions of the principal amount of the Series 2014 Refunding Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Refunding Bonds to be redeemed; (ix) a statement that such Refunding Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Refunding Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. The actual receipt by the Owner of any Refunding Bond or by any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Refunding Bonds or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above and when the redemption price of the Series 2014 Refunding Bonds called for redemption is set aside, the Series 2014 Refunding Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Refunding Bonds at the place specified in the notice of redemption, such Refunding Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Refunding Bonds so called for redemption after such redemption date shall look for the payment of such Refunding Bonds and the redemption premium thereon, if any, only to moneys on deposit for the purpose in the interest and sinking fund of the District within the County treasury (the "Interest and Sinking Fund") or the trust fund established for such purpose. All Refunding Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Series 2014 Refunding Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund of the District or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2014 Refunding Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Refunding Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Defeasance

The District may pay and discharge any or all of the Series 2014 Refunding Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money and/or non-callable direct obligations of the United States of America (including zero interest bearing State and Local Government Series) or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Refunding Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Moneys

Any money held in any fund created pursuant to the Resolution or by the Paying Agent or an escrow agent in trust for the payment of the principal of, redemption premium, if any, or interest on Refunding Bonds and remaining unclaimed for two years after the principal of all of such Refunding Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

Outstanding Bonds; Plan of Finance

Outstanding Bonds. In addition to the Series 2014 Refunding Bonds, the District has five outstanding series of bonds, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District. On November 4, 1997, over two-thirds of the registered voters of the District approved the authorization to issue bonds of the District in an aggregate principal amount not to exceed $20,000,000 to provide adequate classroom space, expand and renovate existing schools, provide access to technology for students, acquire school sites, and construct schools to alleviate student overcrowding and enhance educational opportunities for all students of the District (the "1997 Authorization"). On April 15, 1998, the County, at the request of the District, issued $4,996,606.90 aggregate initial principal amount of bonds (the "Series 1997A Bonds") as the District's first series of bonds issued under the 1997 Authorization. On November 14, 2000, the County, at the request of the District, issued $6,000,000 aggregate principal amount of current interest bonds (the "Series 1997B Bonds") and $999,703.90 aggregate initial principal amount of capital appreciation bonds (the "Series 1997C Bonds"), as the District's second and third, respectively series of bonds issued under the 1997 Authorization. On November 1, 2001, the County, at the request of the District, issued $1,996,669.40 aggregate initial principal amount of capital appreciation bonds (the "Series 1997D Bonds") and $6,000,000 aggregate principal amount of current interest bonds (the "Series 1997E Bonds") as the District's fourth and fifth, respectively, series of bonds issued under the 1997 Authorization. On March 20, 2007, the District issued $7,175,000 aggregate principal amount of its refunding bonds (the "Series 2007 Refunding Bonds") to refund the outstanding Series 1997A Bonds.

On March 4, 2003, over two-thirds of the registered voters of the District approved the authorization to issue bonds of the District in an aggregate principal amount not to exceed $35,000,000 to finance the acquisition of to build new schools to avoid classroom overcrowding throughout the District, add new classrooms and buildings to existing sites, renovate and improve all schools, improve student security systems, acquire future school sites, provide all students with access to technology, and for other related purposes. On February 10, 2004, the County, at the request of the District, issued $12,000,000 aggregate principal amount of bonds (the "Series 2003A Bonds") as the District's first series of bonds issued under the 2003 Authorization. On February 16, 2005, the County, at the request of the District,

issued $12,000,000 aggregate principal amount of bonds (the "Series 2003B Bonds") as the District's second series of bonds issued under the 2003 Authorization. On March 20, 2007, the County, at the request of the District, issued $11,000,000 aggregate principal amount of bonds (the "Series 2003C Bonds") as the District's third and final series of bonds issued under the 2003 Authorization.

On September 24, 2003, the District issued $8,995,000 aggregate principal amount of its refunding Bonds (the "Series 2003 Refunding Bonds") to refund bonds previously issued by the District from a prior authorization in 1993.

On April 17, 2012, the District issued $23,155,000 aggregate principal amount of its refunding bonds (the "Series 2012 Refunding Bonds") to refund (i) all of the outstanding Series 1997B Bonds, (ii) all of the outstanding Series 1997E Bonds, (iii) all of the outstanding Series 2003 Refunding Bonds, and (iv) and the outstanding Series 2003A Bonds.

Plan of Finance. The proceeds of the Series 2014 Refunding Bonds will be issued (i) to refund and defease, on an advance basis, the District's outstanding Series 2003B Bonds maturing on August 1 in the years 2016 through 2029, inclusive (the "Prior Series 2003B Bonds"), (ii) to refund and defease, on an advance basis, the District's outstanding Series 2003C Bonds maturing on August 1 in the years 2019 through 2025, inclusive (the "Prior Series 2003C Bonds"), (iii) to refund and defease, on an advance basis, the District's outstanding Series 2007 Refunding Bonds maturing on August 1 in the years 2018 through 2022, inclusive (the "Prior Series 2007 Bonds" and together with the Prior Series 2003B Bonds and the Prior Series 2003C Bonds, the "Prior Bonds"), and (iv) to pay certain costs of issuance of the Series 2014 Refunding Bonds.

The District and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank") will enter into an Escrow Agreement, dated as of December 1, 2014 (the "Escrow Agreement"), with respect to the Prior Bonds being refunded, pursuant to which the District will deposit a portion of the proceeds from the sale of the Series 2014 Refunding Bonds into special funds to be held by the Escrow Bank. The amounts deposited with the Escrow Bank with respect to the Prior Bonds will be used to purchase certain United States governmental obligations, the principal of and interest on which (together with any uninvested amount) will be sufficient to enable the Escrow Bank to pay the interest due on their respective first optional redemption date (August 1, 2015 with respect to the Prior Series 2003B Bonds, and August 1, 2017 with respect to the Prior Series 2003C Bonds and the Prior Series 2007 Bonds), and to redeem such Prior Bonds at a redemption price equal to 100% of the principal amount of such Prior Bonds being refunded on the applicable redemption date in accordance with the schedule set forth in the applicable Escrow Agreement. See "ESCROW VERIFICATION" herein. Amounts on deposit with the Escrow Bank pursuant to the Escrow Agreement are not available to pay debt service on the Series 2014 Refunding Bonds.

The Series 2014 Refunding Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and 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), for the payment of principal of and interest on the Series 2014 Refunding Bonds. The proceeds of the levy shall be deposited to the credit of the interest and sinking fund of the District within the County treasury (the "Interest and Sinking Fund"). Such proceeds shall be applied for the payment of principal of and interest on the Series 2014 Refunding Bonds. Moneys in the Interest and Sinking Fund will be invested on behalf of the District in any one or more investments generally permitted to school districts authorized pursuant to Section 53601 *et seq.* or Section 53635 *et seq.* of the California Government Code by the County Treasurer and Tax Collector (the "County Treasurer"), and consistent with the investment policy of the County. See APPENDIX E – "COUNTY OF CONTRA COSTA INVESTMENT POLICY AND SUMMARY OF POOLED INVESTMENT FUND."

Debt Service Schedule

The following table shows the annual debt service requirements of the Series 2014 Refunding Bonds, assuming no early redemptions:

BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
General Obligation Refunding Bonds, Series 2014

Year Ending August 1,	Principal	Interest	Total Annual Debt Service
2015	$225,000.00	$449,689.57	$674,689.57
2016	390,000.00	721,456.26	1,111,456.26
2017	400,000.00	709,756.26	1,109,756.26
2018	1,095,000.00	701,756.26	1,796,756.26
2019	1,795,000.00	647,006.26	2,442,006.26
2020	1,955,000.00	557,256.26	2,512,256.26
2021	1,905,000.00	459,506.26	2,364,506.26
2022	2,070,000.00	364,256.26	2,434,256.26
2023	1,000,000.00	260,756.26	1,260,756.26
2024	1,045,000.00	210,756.26	1,255,756.26
2025	1,100,000.00	158,506.26	1,258,506.26
2026	605,000.00	103,506.26	708,506.26
2027	635,000.00	73,256.26	708,256.26
2028	670,000.00	41,506.26	711,506.26
2029	685,000.00	21,406.26	706,406.26
Total:	$15,575,000.00	$5,480,377.21	$21,055,377.21

Aggregate Debt Service

Debt service on each series of the District's outstanding bonds, including the Series 2014 Refunding Bonds, assuming no early redemptions, is shown in the following table:

BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
General Obligation Bonds - Aggregate Debt Service

Period Ending August 1,	Series 1997C Bonds	Series 2003B Bonds[1]	Series 2003C Bonds[2]	Series 2007 Refunding Bonds[3]	Series 2012 Refunding Bonds	Series 2014 Refunding Bonds	Aggregate Total Debt Service
2014	-	$790,257.50	$745,910.00	$508,591.25	$2,287,837.50	-	$4,332,596.25
2015	-	446,250.00	604,230.00	353,512.49	2,297,537.50	$674,689.57	4,376,219.56
2016	-	-	609,230.00	413,549.99	2,199,937.50	1,111,456.26	4,334,173.75
2017	-	-	608,430.00	694,649.99	1,998,737.50	1,109,756.26	4,411,573.75
2018	-	-	607,030.00	-	2,044,237.50	1,796,756.26	4,448,023.76
2019	-	-	165,880.00	-	1,754,437.50	2,442,006.26	4,362,323.76
2020	-	-	165,880.00	-	1,763,837.50	2,512,256.26	4,441,973.76
2021	$745,000.00	-	165,880.00	-	1,200,837.50	2,364,506.26	4,476,223.76
2022	740,000.00	-	165,880.00	-	1,253,237.50	2,434,256.26	4,593,373.76
2023	740,000.00	-	165,880.00	-	1,562,237.50	1,260,756.26	3,728,873.76
2024	740,000.00	-	165,880.00	-	1,536,212.50	1,255,756.26	3,697,848.76
2025	725,000.00	-	165,880.00	-	1,614,775.00	1,258,506.26	3,764,161.26
2026	-	-	755,880.00	-	1,827,693.75	708,506.26	3,292,080.01
2027	-	-	751,100.00	-	1,599,768.75	708,256.26	3,059,125.01
2028	-	-	750,175.00	-	1,685,937.50	711,506.26	3,147,618.76
2029	-	-	753,187.50	-	-	706,406.26	1,459,593.76
2030	-	-	749,925.00	-	-	-	749,925.00
2031	-	-	750,600.00	-	-	-	750,600.00
Total:	$3,690,000.00	$1,236,507.50	$8,846,857.50	$1,970,303.72	$26,627,262.50	$21,055,377.21	$63,426,308.43

[1] Reflects the planned refunding of the Prior Series 2003B Bonds from proceeds of the Series 2014 Refunding Bonds.
[2] Reflects the planned refunding of the Prior Series 2003C Bonds from proceeds of the Series 2014 Refunding Bonds.
[3] Reflects the planned refunding of the Prior Series 2007 Bonds from proceeds of the Series 2014 Refunding Bonds.

Estimated Sources and Uses of Funds

The proceeds of the Series 2014 Refunding Bonds are expected to be applied as follows:

Sources of Funds:	
Principal Amount of Series 2014 Refunding Bonds	$15,575,000.00
Plus Net Original Issue Premium	2,664,336.40
Total Sources of Funds	$18,239,336.40
Uses of Funds:	
Escrow Fund	$18,060,648.27
Underwriter's Discount	66,193.75
Costs of Issuance[1]	112,494.38
Total Uses of Funds	$18,239,336.40

[1] Includes bond counsel fees, disclosure counsel fees, financial advisor and other consultant fees, rating agency fee, initial paying agent fees, printing fees and other miscellaneous fees and expenses.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2014 REFUNDING BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on a school district's bonds, the board of supervisors of the county, the superintendent of schools of which has jurisdiction over such school district, is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by such school 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 school district. The assessor of the county in which the school district lies must annually certify to the board of supervisors the assessed value of all taxable property in the county situated in the school district. The board of supervisors must levy upon the property of the school district within its own county the rate of tax that will be sufficient to raise not less than the amount needed to pay the interest and any portion of the principal of the bonds that is to become due during the year.

Accordingly, the Board of Supervisors of the County must levy upon the property of the District the rate of tax that will be sufficient to provide sufficient funds for repayment of principal and interest when due on the Series 2014 Refunding Bonds. When collected, the tax revenues will be deposited 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. Moneys in the Interest and Sinking Fund will be invested on behalf of the District in any one or more investments generally permitted to school districts authorized pursuant to Section 53601 *et seq.* or Section 53635 *et seq.* of the California Government Code by the County Treasurer, and consistent with the investment policy of the County. See APPENDIX E – "COUNTY OF CONTRA COSTA INVESTMENT POLICY AND SUMMARY OF POOLED INVESTMENT FUND."

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 receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

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 and tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer and tax collector, as *ex officio* treasurer of each school district located in the county, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the bonds when due.

Assessed Valuation of Property Within the District

Taxable property located in the District had a 2013-14 assessed value of $6,362,058,377 and has a 2014-15 assessed value of $7,523,657,237. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed. See *"–Appeals of Assessed Valuation; Blanket Reductions of Assessed Values"* below.

Under the State 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.

Locally taxed 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." Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

Shown in the following table is the assessed valuation of the various classes of property in the District in the last ten fiscal years.

BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
Assessed Value of Secured and Unsecured Property
Fiscal Years 2005-06 through 2014-15

Fiscal Year Ending	Local Secured[1]	Utility[2]	Unsecured	Total Valuation
2005-06	$5,888,404,904	$391,828	$96,025,117	$5,984,821,849
2006-07	7,544,749,239	366,569	117,489,842	7,662,605,650
2007-08	8,521,206,773	249,794	131,347,742	8,652,804,309
2008-09	7,782,533,310	249,794	144,731,957	7,927,515,061
2009-10	6,419,296,609	249,794	150,856,460	6,570,402,863
2010-11	6,147,964,230	1,111,107	138,703,197	6,287,778,534
2011-12	5,876,127,819	953,943	134,544,403	6,011,626,165
2012-13	5,747,668,395	953,943	133,650,684	5,882,273,022
2013-14	6,229,682,470	953,943	131,421,964	6,362,058,377
2014-15	7,379,582,742	1,105,010	142,969,485	7,523,657,237

Source: California Municipal Statistics, Inc.

Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of 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 exemptions for property owned by 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, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year. See also "*–Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" below.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in

subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction or reconstruction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then-current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the County assessor's office, the County has in the past, pursuant to Article XIIIA of the State Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Bonding Capacity. As an elementary school district, the District may issue bonds in an amount up to 1.25% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2014-15 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $93 million and its net bonding capacity is approximately $49 million (taking into account current outstanding debt before issuance of the Series 2014 Refunding Bonds and the refunding of the Prior Bonds). Refunding Bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Jurisdiction. The following table describes the percentage and value of the total assessed value of the District that resides in the cities of Antioch, Brentwood and Oakley and unincorporated portions of the County for fiscal year 2014-15.

BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
2014-15 Assessed Valuation by Jurisdiction[1]

Jurisdiction	Assessed Valuation in District	Percent of District	Assessed Valuation of Jurisdiction	Percent of Jurisdiction in District
City of Antioch	$ 323,292,710	4.30%	$8,359,379,253	3.87%
City of Brentwood	7,007,773,722	93.14	$7,050,958,646	99.39%
City of Oakley	1,921,114	0.03	$3,161,317,478	0.06%
Unincorporated Contra Costa County	190,669,691	2.53	$32,855,368,294	0.58%
Total District	$7,523,657,237	100.00%		
Contra Costa County	$7,523,657,237	100.00%	$160,469,862,791	4.69%

[1] Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table gives a distribution of taxable property located in the District on the fiscal year 2014-15 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
2014-15 Assessed Valuation and Parcels by Land Use

	2014-15 Assessed Valuation[1]	Percent of Total	No. of Parcels	Percent of Total
Non-Residential:				
Agricultural/ Rural	$140,291,422	1.90%	371	1.75%
Commercial/Office	803,308,495	10.89	326	1.54
Vacant Commercial	72,114,293	0.98	109	0.52
Industrial	56,772,346	0.77	33	0.16
Vacant Industrial	241,903	0.00	6	0.03
Recreational	33,436,177	0.45	59	0.28
Government/Social/Institutional	43,432,155	0.59	62	0.29
Miscellaneous	8,470,218	0.11	222	1.05
Subtotal Non-Residential	$1,158,067,009	15.69%	1,188	5.62%
Residential:				
Single Family Residence	$5,979,457,155	81.03%	17,158	81.11%
Condominium/Townhouse	60,999,665	0.83	324	1.53
Rural Residential	38,334,316	0.52	81	0.38
Mobile Home	4,624,266	0.06	159	0.75
2-4 Residential Units	13,481,804	0.18	39	0.18
5+ Residential Units/Apartments	67,432,761	0.91	30	0.14
Vacant Residential	57,185,766	0.77	2,174	10.28
Subtotal Residential	$6,221,515,733	84.31%	19,965	94.38%
TOTAL	$7,379,582,742	100.00%	21,153	100.00%

[1] Local secured assessed valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Homes. The following table shows the assessed valuation of single-family homes in the District for fiscal year 2014-15, including the median and mean assessed valuation per parcel.

BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
2014-15 Per Parcel Assessed Valuation of Single Family Homes

	No. of Parcels	2014-15 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	17,158	$5,979,457,155	$348,494	$345,602

2014-15 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	202	1.177%	1.177%	$7,618,323	0.127%	0.127%
$50,000 - $99,999	325	1.894	3.071	24,265,664	0.406	0.533
$100,000 - $149,999	577	3.363	6.434	73,729,849	1.233	1.766
$150,000 - $199,999	981	5.717	12.152	172,224,047	2.880	4.647
$200,000 - $249,999	1,605	9.354	21.506	365,882,318	6.119	10.766
$250,000 - $299,999	2,364	13.778	35.284	650,021,591	10.871	21.636
$300,000 - $349,999	2,754	16.051	51.335	894,843,243	14.965	36.602
$350,000 - $399,999	2,724	15.876	67.211	1,018,304,990	17.030	53.632
$400,000 - $449,999	2,109	12.292	79.502	893,613,068	14.945	68.577
$450,000 - $499,999	1,435	8.363	87.866	678,463,133	11.347	79.923
$500,000 - $549,999	903	5.263	93.129	471,922,997	7.892	87.815
$550,000 - $599,999	658	3.835	96.964	375,921,134	6.287	94.102
$600,000 - $649,999	251	1.463	98.426	155,857,426	2.607	96.709
$650,000 - $699,999	127	0.740	99.167	85,184,585	1.425	98.134
$700,000 - $749,999	45	0.262	99.429	32,480,188	0.543	98.677
$750,000 - $799,999	55	0.321	99.749	42,844,179	0.717	99.393
$800,000 - $849,999	31	0.181	99.930	25,377,051	0.424	99.818
$850,000 - $899,999	9	0.052	99.983	7,869,369	0.132	99.949
$900,000 - $949,999	1	0.006	99.988	902,000	0.015	99.964
$950,000 - $999,999	1	0.006	99.994	983,000	0.016	99.981
$1,000,000 and greater	1	0.006	100.000	1,149,000	0.019	100.000
Total	17,158	100.000%		$5,979,457,155	100.000%	

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

Largest Taxpayers in District. The twenty taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2014-15 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
Largest 2014-15 Local Secured Taxpayers

	Property Owner	Primary Land Use	2014-15 Assessed Valuation	Percent of Total[(1)]
1.	G&I VII Brentwood LP	Shopping Center	$77,073,738	1.04%
2.	Tri Pointe Homes Inc.	Residential Development	50,858,980	0.69
3.	Trilogy Vineyards LLC	Residential Development	48,115,232	0.65
4.	San Creek Crossing LLC	Shopping Center	45,388,700	0.62
5.	John Muir & Mt. Diablo Health	Professional Building	38,402,777	0.52
6.	DS Lone Tree Plaza LLC	Shopping Center	37,445,843	0.51
7.	Camden Village LLC	Shopping Center	25,180,100	0.34
8.	ESC Skepner LLC	Shopping Center	24,419,900	0.33
9.	Brentwood Arbor Ridge LP	Apartments	22,085,310	0.30
10.	New Urban Comm & Sciortino LLC	Commercial Land	19,775,100	0.27
11.	Brentwood Towncentre Apartment	Apartments	19,714,097	0.27
12.	AFE Brentwood Park LLC	Convalescent Home	18,855,000	0.26
13.	Target Corporation	Shopping Center	17,832,632	0.24
14.	Deer Creek Partnership	Apartments	17,500,877	0.24
15.	Brentwood Assisted Living LLC	Convalescent Home	17,346,000	0.24
16.	WK LLC	Commercial	16,257,000	0.22
17.	Roddy Owner LLC	Golf Course	16,073,000	0.22
18.	DS Founders LLC	Commercial	15,200,000	0.21
19.	McViking LLC	Shopping Center	14,552,600	0.20
20.	Donahue Schriber Realty Group	Shopping Center	13,379,601	0.18
			$555,456,487	7.53%

[(1)] 2014-15 local secured assessed valuation: $7,379,582,742.
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and ability or willingness to pay property taxes. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control. See *"–Appeals of Assessed Valuation; Blanket Reductions of Assessed Values"* above.

Tax Rates

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness.

The rate of tax necessary to pay fixed debt service on the Series 2014 Refunding Bonds in a given year depends on the assessed value of taxable property in that year. The rate of tax imposed on unsecured property for repayment of the Series 2014 Refunding Bonds is based on the prior year's secured property tax rate. 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 exemptions for property owned by 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, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Series 2014 Refunding Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

Typical Tax Rate Area. The following table shows *ad valorem* property tax rates for the last five fiscal years in a typical Tax Rate Area of the District (TRA 10-001). TRA 10-001 comprised approximately 47.76% of the total fiscal year 2014-15 assessed value of the District.

BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
Typical Total Tax Rate per $100 of Assessed Valuation (TRA 10-001)
Fiscal Years 2010-11 Through 2014-15

	TRA 10-001				
	2010-11	2011-12	2012-13	2013-14	2014-15
County-wide	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
Bay Area Rapid Transit District	0.0031	0.0041	0.0043	0.0075	0.0045
City of Brentwood	0.0060	0.0068	0.0072	0.0068	0.0059
East Bay Regional Park	0.0084	0.0071	0.0051	0.0078	0.0085
Liberty Union High School District	0.0390	0.0386	0.0364	0.0328	0.0273
Brentwood Union School District	0.0715	0.0688	0.0685	0.0639	0.0522
Contra Costa Community College District	0.0133	0.0144	0.0087	0.0133	0.0252
Total	$1.1413	$1.1398	$1.1302	$1.1321	$1.1236

Source: California Municipal Statistics, Inc.

Tax Charges and Delinquencies

A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory scheme enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Series 2014 Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The County Treasurer prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a $10 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a $15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the County Treasurer.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the County Treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the County, and may seize and sell personal property, improvements and

possessory interests of the taxpayer. The County Treasurer may also bring a civil suit against the taxpayer for payment.

The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

The following table shows a recent history of real property tax collections and delinquencies in the District.

BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2009-10 Through 2013-14

	Secured Tax Charge[1]	Amount Delinquent June 30	Delinquent June 30
2009-10	$10,175,133.28	$272,353.69	2.68%
2010-11	9,758,576.47	167,589.40	1.72
2011-12	9,423,246.74	256,017.68	2.72
2012-13	9,119,416.18	88,432.72	0.97
2013-14	9,959,034.41	84,211.90	0.85

	Secured Tax Charge[2]	Amount Delinquent June 30	Delinquent June 30
2009-10	$4,274,115.63	$167,484.80	3.92%
2010-11	4,298,688.72	92,902.24	2.16
2011-12	3,961,855.86	59,771.72	1.51
2012-13	3,875,948.51	42,975.73	1.11
2013-14	3,928,695.81	31,364.87	0.80

[1] 1% general fund apportionment.
[2] District's general obligation bond debt service levy only.
Source: California Municipal Statistics, Inc.

Teeter Plan. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 and following of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the County, including the District, receives the full amount of uncollected taxes credited to its fund (including delinquent taxes, if any), in the same manner as if the full amount due from taxpayers had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. The County applies the Teeter Plan to taxes levied for repayment of district bonds.

The Teeter Plan is to remain in effect unless the County Board of Supervisors 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 from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency.

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective November 1, 2014 for debt issued as of November 12, 2014. 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 the date of the schedule and whose territory overlaps the District in whole or in part. Column two 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 column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The schedule generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. 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.

BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
Statement of Direct and Overlapping Bonded Debt

2014-15 Assessed Valuation: $7,523,657,237

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt November 1, 2014
Bay Area Rapid Transit District	1.342%	$8,465,269
Contra Costa Community College District	4.707	21,457,330
Liberty Union High School District	54.795	26,723,522
Brentwood Union School District	100.000	44,094,704[(1)]
East Bay Regional Park District	2.060	3,658,045
City of Brentwood	99.388	3,856,232
City of Brentwood Community Facilities District Nos. 3, 4 and 5	100.000	19,395,790
City of Brentwood 1915 Act Bonds	100.000	143,050,274
California Statewide Communities Development Authority Assessment Districts	95.932-100.000	8,655,382
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$279,356,548
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Contra Costa County General Fund Obligations	4.689%	$12,863,020
Contra Costa County Pension Obligations	4.689	12,121,065
Contra Costa Community College District Certificates of Participation	4.707	32,949
Brentwood Union School District Lease Obligations	100.000	1,842,045
City of Antioch Certificates of Participation	3.867	183,296
City of Brentwood General Fund Obligations	99.388	5,913,586
City of Oakley Certificates of Participation	0.061	4,243
Byron-Bethany Irrigation District General Fund Obligations	0.033	1,592
Contra Costa Fire Protection District Pension Obligations	0.426	395,349
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$33,357,145
Less: Contra Costa County Obligations supported by revenue bonds		5,098,632
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$28,258,513
OVERLAPPING TAX INCREMENT DEBT:		$25,671,902
GROSS COMBINED TOTAL DEBT		$338,385,595[(2)]
NET COMBINED TOTAL DEBT		$333,286,963

(1) Excludes the Series 2014 Refunding Bonds described herein, but includes the Prior Bonds to be refunded.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:

Direct Debt ($44,094,704)	0.59%
Total Direct and Overlapping Tax and Assessment Debt	3.71%
Combined Total Debt	0.61%
Gross Combined Total Debt	4.50%
Net Combined Total Debt	4.43%

Ratios to Redevelopment Incremental Valuation ($661,028,877):

Total Overlapping Tax Increment Debt	3.88%

Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2014 Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2014 Refunding Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Series 2014 Refunding Bonds is less than the amount to be paid at maturity of such Series 2014 Refunding Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2014 Refunding Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2014 Refunding Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2014 Refunding Bonds is the first price at which a substantial amount of such maturity of the Series 2014 Refunding Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2014 Refunding Bonds accrues daily over the term to maturity of such Series 2014 Refunding Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2014 Refunding Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2014 Refunding Bonds. Beneficial Owners of the Series 2014 Refunding Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2014 Refunding Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2014 Refunding Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2014 Refunding Bonds is sold to the public.

Series 2014 Refunding Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2014 Refunding Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2014 Refunding Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2014 Refunding Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2014 Refunding Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with

these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2014 Refunding Bonds may adversely affect the value of, or the tax status of interest on, the Series 2014 Refunding Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2014 Refunding Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2014 Refunding Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2014 Refunding Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, Representative Dave Camp, Chair of the House Ways and Means Committee released draft legislation that would subject interest on the Series 2014 Refunding Bonds to a federal income tax at an effective rate of 10% or more for individuals, trusts, and estates in the highest tax bracket, and the Obama Administration proposed legislation that would limit the exclusion from gross income of interest on the Series 2014 Refunding Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2014 Refunding Bonds. Prospective purchasers of the Series 2014 Refunding Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2014 Refunding Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2014 Refunding Bonds ends with the issuance of the Series 2014 Refunding Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2014 Refunding Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2014 Refunding Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2014 Refunding Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series 2014 Refunding Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion at the time of issuance of the Series 2014 Refunding Bonds substantially in the form set forth in Appendix C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and for the Underwriter by Nossaman LLP, Irvine, California.

Legality for Investment in California

Under the provisions of the California Financial Code, the Series 2014 Refunding Bonds are legal investments for commercial banks in California to the extent that the Series 2014 Refunding 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, the Series 2014 Refunding Bonds are eligible securities for deposit of public moneys in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Series 2014 Refunding Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2014-15 fiscal year (which is due no later than April 1, 2016) and notice of the occurrence of certain enumerated events ("Notice Events") in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D − "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

A review of the District's compliance with its previous continuing disclosure undertakings was conducted and it was found, during the preceding five years, that (a) the District did not include certain information in certain of its Annual Reports prior to fiscal year 2012-13 (e.g., information about the top taxpayers in the District and information about the District's original adopted budget), and (b) the District did not timely file notices of certain rating changes (both underlying and insurer rating changes).

Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series 2014 Refunding Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Series 2014 Refunding Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Series 2014 Refunding Bonds or District or County officials who will sign certifications relating to the Series 2014 Refunding Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Series 2014 Refunding Bonds.

The District is currently defending six lawsuits filed in connection with alleged misconduct of a special education teacher. The District has insurance coverage for such matters and does not expect its financial position and operations to be materially impacted by such lawsuits. The Series 2014 Refunding Bonds are payable from *ad valorem* taxes to be levied within the District and collected by the County, and such lawsuits do not impact the levy and collection of such *ad valorem* taxes. The District is routinely subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these other lawsuits and claims will not materially affect the financial position or operations of the District.

ESCROW VERIFICATION

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter relating to the computation of the projected payments of principal and interest to retire the Prior Bonds to be refunded will be verified by Causey, Demgen & Moore P.C., Denver, Colorado (the "Verification Agent"). Such computations will be based solely on assumptions and information supplied by the District and the Underwriter. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

MISCELLANEOUS

Rating

Moody's Investors Service, Inc. has assigned its rating of "Aa3" to the Series 2014 Refunding Bonds. Rating agencies generally base their ratings on their own investigations, studies and assumptions. The rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of such rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Series 2014 Refunding Bonds. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2014 Refunding Bonds. The Underwriter and the District have not undertaken any responsibility after the offering of the Series 2014 Refunding Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Series 2014 Refunding Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Series 2014 Refunding Bonds. The District has retained Dolinka Group, LLC as Financial Advisor (the "Financial Advisor") in connection with the issuance of the Series 2014 Refunding Bonds and certain other financial matters. Nossaman, LLP is acting as Underwriter's Counsel with respect to the Series 2014 Refunding Bonds. Payment of the fees and expenses of the Financial Advisor and Underwriter's Counsel is also contingent upon the sale and delivery of the Series 2014 Refunding Bonds.

Underwriting

The Series 2014 Refunding Bonds are being purchased for reoffering to the public by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), pursuant to the terms of a bond purchase contract executed on December 3, 2014, by and between the Underwriter and the District (the "Purchase

Contract"). The Underwriter has agreed to purchase the Series 2014 Refunding Bonds at a price of $18,173,142.65 (which represents the aggregate principal amount of the Series 2014 Refunding Bonds, plus $2,664,336.40 of net original issue premium, and less $66,193.75 of Underwriter's discount). The Purchase Contract provides that the Underwriter will purchase all of the Series 2014 Refunding Bonds, subject to certain terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Series 2014 Refunding Bonds to certain dealers and others at prices lower than the public offering prices shown on the inside front cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series 2014 Refunding Bonds. Quotations from and summaries and explanations of the Series 2014 Refunding Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Series 2014 Refunding Bonds.

The District has duly authorized the delivery of this Official Statement.

BRENTWOOD UNION SCHOOL DISTRICT

By: /s/ Dana Eaton
Superintendent

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this appendix concerning the operations of the Brentwood Union School District (the "District"), the District's finances, and State of California (the "State") funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series 2014 Refunding Bonds is payable from the general fund of the District or from State revenues. The Series 2014 Refunding Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by County of Contra Costa on property within the District in an amount sufficient for the timely payment of principal of and interest on the Series 2014 Refunding Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2014 REFUNDING BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District comprises approximately 50 square miles in the eastern part of Contra Costa County (the "County"), along the south side of the Sacramento River Delta, and provides kindergarten through eighth grade ("K-8") educational services. The District operates seven elementary schools (grades K-5) and three middle schools (grades 6-8). Current District enrollment is approximately 8,476 students. The District is governed by a five-member Board of Education, and the District's day-to-day operations are managed by a board-appointed Superintendent.

Board of Education

The District operates under the jurisdiction of the Contra Costa County Superintendent of Schools, who has certain supervisory powers with respect to District budgets. The District is governed by a five-member Board of Education (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The name, office and the month and year of the expiration of the term of each member of the Board, commencing on December 10, 2014, is described below. The new President and Clerk of the Board will be designated on or about such date.

BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
Board of Education

Name	Office	Term Expires
Emil Geddes	President	November, 2018
Carlos Sanabria	Clerk	November, 2016
Jim Cushing	Member	November, 2016
Scott Dudek	Member	November, 2018
Johnny Rodriguez	Member	November, 2018

Superintendent and Financial and Fiscal Administrative Personnel

The Superintendent is appointed by the Board and report to the Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. Dana Eaton has served as Superintendent of the District since 2013. Information concerning the District's Superintendent and the Chief Business Official is set forth below.

Dana Eaton, Superintendent. Dana Eaton has served as Superintendent of the District since 2013. Prior to being appointed as Superintendent of the District, Mr. Eaton served as the Superintendent of the Jefferson Union School District and, prior to that, served as a principal of a school in the District and the Director of Student Services of the District. Mr. Eaton also formerly served on the Brentwood Diversity Committee, Contra Costa County Autism Focus Group and East County Forum to Accelerate Middle School Reform and as chair of Superintendents for Proactive Educational Leadership.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (see "– Allocation of State Funding to School Districts; Local Control Funding Formula" herein) and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution (see "– Local Sources of Education Funding" herein). In addition, school districts may be eligible for certain categorical funding from State and federal government programs. The District budgeted to receive approximately 70% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* tax), budgeted at approximately $44.8 million in fiscal year 2014-15. Such amount includes both the State funding provided under the LCFF as well as other State revenues (see "– Allocation of State Funding to School District; Local Control Funding Formula – *Attendance and LCFF*" and "– Other District Revenues – *Other State Revenues*" below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

The State budget for fiscal year 2013-14 contained a new formula for funding the school finance system (the "Local Control Funding Formula" or "LCFF"). The LCFF replaced the revenue limit funding system and most categorical programs. See "– Allocation of State Funding to School Districts; Local Control Funding Formula" herein for more information.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later

than June 15. Historically, the budget required a two-thirds vote of each house of the State Legislature for passage. However, on November 2, 2010, the State's voters approved Proposition 25, which amended the State Constitution to lower the vote requirement necessary for each house of the State Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two–thirds to a simple majority (50% plus one) of each house of the State Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the State Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two–thirds vote of the State Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2014-15 State budget on June 20, 2014.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Series 2014 Refunding Bonds, and the District takes no responsibility for informing owners of the Series 2014 Refunding Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, **www.dof.ca.gov,** under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at **www.lao.ca.gov**. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, **www.treasurer.ca.gov.** The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2014-15 State Budget. The Governor signed the fiscal year 2014-15 State budget (the "2014-15 State Budget") on June 20, 2014. The 2014-15 State Budget represents a multiyear plan that is balanced and that continues to focus on paying down budgetary debt from prior years, setting aside reserves and implementing a funding plan for the State Teachers' Retirement System ("CalSTRS"). The 2014-15 State Budget provides for $109.4 billion in revenues and transfers for fiscal year 2014-15 (which amount includes a $3.9 billion prior year general fund balance from fiscal year 2013-14), $108.0 billion in expenditures and a balance of $450 million in the general fund traditional reserve and $1.6 billion in a rainy day fund (the "Rainy Day Fund"). Revenues and expenditures for fiscal year 2013-14, as revised under the 2014-15 State Budget, were $104.6 billion (which amount includes a $2.4 billion prior year general fund balance from fiscal year 2012-13) and $100.7 billion, respectively.

The 2014-15 State Budget projects that budgetary debt, which was approximately $35 billion at the end of fiscal year 2010-11 and $26 billion at the end of fiscal year 2013-14, will be eliminated by the end of fiscal year 2017-18. For fiscal year 2014-15, specifically, the 2014-15 State Budget dedicates to paying down more than $10 billion of budgetary debt, including approximately $5 billion to pay down the deferral of payments to schools.

As it relates to K-12 education, the 2014-15 State Budget provides total funding of $76.6 billion ($45.3 billion general fund and $31.3 billion other funds). The 2014-15 State Budget provides Proposition 98 funding for all K-14 education of $60.9 billion for fiscal year 2014-15. Such amount, when combined with an aggregate increase of $4.4 billion from fiscal years 2012-13 and 2013-14 provided for in the 2014-15 State Budget, results in an increase of $10 billion in funding for K-14 education. The 2014-15 State Budget notes that Proposition 98 funding for K-12 education has grown by more than $12 billion from fiscal year 2011-12 to fiscal year 2014-15, representing an increase of more than $1,900 per student.

Certain budget adjustments for K-12 programs include the following:

- Local Control Funding Formula. An increase of $4.75 billion in Proposition 98 general funds to continue the State's transition to the Local Control Funding Formula. This formula commits most new funding to districts serving English language learners, students from low-income families, and youth in foster care. This increase will close the remaining funding implementation gap by more than 29%. Additionally, the 2014-15 State Budget addresses an administrative problem related to the collection of income eligibility forms that are used to determine student eligibility for free or reduced-price meals.

- K-12 Deferrals. The 2014-15 State Budget repays nearly $4.7 billion in Proposition 98 general funds for K-12 expenses that had been deferred from one year to the next during the economic downturn, leaving an outstanding balance of less than $900 million in K-12 deferrals. Further, the 2014-15 State Budget includes a trigger mechanism that will appropriate any additional funding resources attributable to the 2013-14 and 2014-15 fiscal years subsequent to the enactment of the 2014-15 State Budget for the purpose of retiring this remaining deferral balance.

- Independent Study. The 2014-15 State Budget streamlines the existing independent study program, reducing administrative burdens and freeing up time for teachers to spend on student instruction and support, while making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.

- K-12 Mandates. An increase of $400.5 million in one-time Proposition 98 general funds to reimburse K-12 local educational agencies for the costs of State-mandated programs. These funds will make a significant down payment on outstanding mandate debt, while providing school districts, county offices of education and charter schools with discretionary resources to support critical investments such as Common Core implementation.

- K-12 High-Speed Internet Access. An increase of $26.7 million in one-time Proposition 98 general funds for the K-12 High Speed Network to provide technical assistance and grants to local educational agencies to address the technology requirements necessary for successful Common Core implementation. Based on an assessment by the K-12 High Speed Network, these funds will be targeted to those local educational agencies most in need of help with securing required internet connectivity and infrastructure to implement the new computer adaptive tests under Common Core.

- Career Technical Education Pathways Program. An increase of $250 million in one-time Proposition 98 general funds to support a second cohort of competitive grants for participating K-14 local educational agencies. Established in the State Budget Act for fiscal year 2012-13, the Career Pathways Trust Program provides grant awards to

improve career technical programs and linkages between employers, schools, and community colleges.

Rainy Day Fund. The 2014-15 State Budget proposed certain constitutional amendments to the Rainy Day Fund on the November 2014 ballot, which proposition was approved by the voters. Such constitutional amendments (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues (and the 2014-15 State Budget notes that capital gains revenues are expected to account for approximately 9.8% of general fund revenues in fiscal year 2014-15); (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year's deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year's deposit to be saved and the remainder use for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the Public School System Stabilization Account) to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

SB 858. As part of the 2014-15 State Budget, the Governor signed Senate Bill 858 ("SB 858") which includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Such provisions became effective upon the State voters approval of the constitutional amendments relating to the Rainy Day Fund described above. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Public School System Stabilization Account, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an Average Daily Attendance ("A.D.A.") of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an A.D.A. that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The District, which has an A.D.A. of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. The District's original adopted budget for fiscal year 2014-15 projected total expenditures and other financing uses of approximately $66.7 million, 3% of which is approximately $2.0 million. The estimated maximum amount permitted under SB 858 in fiscal year 2014-15, if SB 848 were in effect for such fiscal year, would be approximately $4.0 million. The District's original adopted budget for fiscal year 2014-15 projected a combined assigned and unassigned ending fund balance of approximately $8.4 million, which is approximately $4.4 million more than the maximum that would be permitted under SB 858 if SB 858 were in effect. The District does not expect SB 858 to adversely affect its ability to pay the principal of and interest on the Series 2014 Refunding Bonds as and when due.

AB 1469. As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implements a new funding strategy for CalSTRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. See "– Retirement Benefits – *CalSTRS*" herein for more information about CalSTRS and AB 1469.

The complete 2014-15 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 therein, and such information is not incorporated herein by such reference.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and community college districts through a local Educational Revenue Augmentation Fund (ERAF) in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see "– Dissolution of Redevelopment Agencies" below). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Dissolution of Redevelopment Agencies. The adopted State budget for fiscal 2011-12, as signed by the Governor of the State on June 30, 2011, included as trailer bills Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") and Assembly Bill No. 27 (First Extraordinary Session) ("AB1X 27"), which the Governor signed on June 29, 2011. AB1X 26 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB1X 26 dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. Certain provisions of AB1X 26 are described further below.

In July of 2011, various parties filed an action before the Supreme Court of the State of California (the "Court") challenging the validity of AB1X 26 and AB1X 27 on various grounds (*California Redevelopment Association v. Matosantos*). On December 29, 2011, the Court rendered its decision in

Matosantos upholding virtually all of AB1X 26 and invalidating AB1X 27. In its decision, the Court also modified various deadlines for the implementation of AB1X 26. The deadlines for implementation of AB1X 26 below take into account the modifications made by the Court in *Matosantos*.

On February 1, 2012, and pursuant to *Matosantos*, AB1X 26 dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency will be transferred to the control of its successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

AB1X 26 requires redevelopment agencies to continue to make scheduled payments on and perform obligations required under its "enforceable obligations." For this purpose, AB1X 26 defines "enforceable obligations" to include "bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of outstanding bonds of the former redevelopment agency" and "any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy." AB1X 26 specifies that only payments included on an "enforceable obligation payment schedule" adopted by a redevelopment agency shall be made by a redevelopment agency until its dissolution. However, until a successor agency adopts a "recognized obligation payment schedule" the only payments permitted to be made are payments on enforceable obligations included on an enforceable obligation payment schedule. A successor agency may amend the enforceable obligation payment schedule at any public meeting, subject to the approval of its oversight board.

Under AB1X 26, commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved will instead be deposited in a "redevelopment property tax trust fund" created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in AB1X 26. AB1X 26 generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 16 and June 1 (now each January 2 and June 1 pursuant to AB 1484, as described below) thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller's administrative costs, in the following order of priority:

- To pay pass-through payments to affected taxing entities in the amounts that would have been owed had the former redevelopment agency not been dissolved; provided, however, that if a successor agency determines that insufficient funds will be available to make payments on the recognized obligation payment schedule and the county auditor-controller and State Controller verify such determination, pass-through payments that had previously been subordinated to debt service may be reduced;

- To the former redevelopment agency's successor agency for payments listed on the successor agency's recognized obligation payment schedule for the ensuing six-month period;

- To the former redevelopment agency's successor agency for payment of administrative costs; and

- Any remaining balance to school entities and local taxing agencies.

It is possible that there will be additional legislation proposed and/or enacted to "clean up" various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB1X 26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a "tax claw back" provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This "tax claw back" provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District. Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

Future Budgets and Budgetary Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address any changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for K-12 education. The State budget will be affected by national and State economic conditions and other factors over which the District cannot predict and will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District.

Allocation of State Funding to School Districts; Local Control Funding Formula

Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under California Education Code Section 42238 and following, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance. The base revenue limit was calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received 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 were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts," which are now referred to as "LCFF districts." The District is an LCFF district.

Beginning in fiscal year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base revenue limit funding grant ("Base Grant") per unit of A.D.A. with additional supplemental funding allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF has an eight year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below. The LCFF includes the following components:

- A Base Grant for each local education agency, equivalent to $7,643 per unit of A.D.A. in fiscal year 2013-14. Such Base Grant per unit of A.D.A., adjusted by grade span variation and to be adjusted annually for cost-of-living, is as follows: $6,845 for grades K-3, $6,947 for grades 4-6, $7,154 for grades 7-8 and $8,289 for grades 9-12. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12.

- A 20% supplemental grant for the unduplicated number of English language 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 language learners, students from low-income families and foster youth served by the local education agency that comprise more than 55% of enrollment.

- An Economic Recovery Target (the "ERT") that is intended to ensure that almost every local education agency receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, local education agencies would receive the greater of the Base Grant or the ERT.

Of the projected $25 billion in new funding to be invested through the LCFF over the next eight years, the vast majority of new funding will be provided for Base Grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to Base Grants, 10 cents will go to supplemental grants and 6 cents will go to concentration grants.

Under the new formula, for "basic aid districts" (now, "community funded districts"), local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

All school districts, county offices of education and charter schools are 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. Such local control and accountability plans are to be developed in accordance with a template to be provided by the State Board of Education. County superintendents will review and provide support to the school districts under their jurisdiction, while the Superintendent of Public Instruction will perform a corresponding role for county offices of education. The 2013-14 State Budget created the California Collaborate for Education Excellence (the "Collaborative") to advise and assist local education agencies in achieving the goals identified in their plans. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the Superintendent of Public Instruction would have authority to make changes to a local education agency's plan.

Attendance and Base Revenue Limit. The following table sets forth the District's actual A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal years 2010-11 through 2012-13 for grades K-8. The A.D.A. and enrollment numbers reflected in the following table include special education.

BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
Average Daily Attendance, Enrollment And Base Revenue Limit
Fiscal Years 2010-11 Through 2012-13

Fiscal Year	Average Daily Attendance[1]	Enrollment[2]	Base Revenue Limit Per Unit of Average Daily Attendance
2010-11[3]	8,061	8,300	$6,160.64
2011-12[4]	8,124	8,335	6,208.13
2012-13[5]	8,197	8,426	6,410.13

(1) A.D.A. for the second period of attendance, typically in mid-April of each school year.
(2) Reflects enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS") in each school year.
(3) Does not reflect a 17.963% base revenue limit deficit factor and a negative 0.39% cost of living adjustment in fiscal year 2010-11.
(4) Does not reflect a 20.602% base revenue limit deficit factor and a 2.24% cost of living adjustment in fiscal year 2011-12.
(5) Does not reflect a 22.272% base revenue limit deficit factor and a 3.243% cost of living adjustment in fiscal year 2012-13.
Source: Brentwood Union School District.

Attendance and LCFF. The following table sets forth the District's actual and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students")), and targeted Base Grant per unit of A.D.A. for fiscal years 2013-14 and 2014-15, respectively. The A.D.A. and enrollment numbers reflected in the following table include special education.

BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
Average Daily Attendance, Enrollment And Targeted Base Grant
Fiscal Years 2013-14 Through 2014-15

		A.D.A./Base Grant				Enrollment[5]	
Fiscal Year		K-3	4-6	7-8	Total A.D.A.	Total Enrollment	Unduplicated Percent of EL/LI Students
2013-14	A.D.A.[2]:	3,383.26	2,898.36	1,993.56	8,275.56	8,476	31.67%
	Targeted Base Grant[3]:	$7,675	$7,056	$7,266	--	--	--
2014-15[1]	A.D.A.[2]:	3,386.75	2,899.93	1,993.65	8,280.33	8,476	31.67%
	Targeted Base Grant[3][4]:	$7,740	$7,116	$7,328	--	--	--

(1) Figures are projections.
(2) A.D.A. for the second period of attendance, typically in mid-April of each school year.
(3) Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and do not include any supplemental and concentration grants under the LCFF. Such amounts are not expected to be fully funded in fiscal years 2013-14 and 2014-15.
(4) Targeted fiscal year 2014-15 Base Grant amounts reflect a 0.85% cost of living adjustment from targeted fiscal year 2013-14 Base Grant amounts.
(5) Reflects enrollment as of October report submitted to the CBEDS in each school year. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI Students will be expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI Students enrollment will be based on the two-year average of EL/LI Students enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI Students will be based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
Source: Brentwood Union School District.

The District received approximately $49.6 million (unaudited) in aggregate revenues allocated under the LCFF in fiscal year 2013-14, and has budgeted to receive approximately $54.1 million in aggregate revenues under the LCFF in fiscal year 2014-15 (or approximately 85% of its general fund revenues in fiscal year 2014-15). Such amount includes supplemental grants. The District does not expect to receive any concentration grants.

Effect of Changes in Enrollment. Changes in local property tax income and A.D.A. affect LCFF districts and community funded districts differently.

In an LCFF district, increasing enrollment increases the total amount distributed under the LCFF and thus generally increases a district's entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth; and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools.

In community funded districts, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it an LCFF district, but since all LCFF income (and more) is already generated by local property taxes, there is no increase in State income, other than the $120 per student in basic aid, as described above. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

Local Sources of Education Funding

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. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, 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. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State aid, and received 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 were known as "basic aid districts." School districts that received some State aid were commonly referred to as "revenue limit districts." The District was a revenue limit district and is now referred to as an LCFF district.

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive the same level of State aid as allotted in fiscal year 2012-13. See *"−Allocation of State Funding to School Districts: Local Control Funding Formula"* herein for more information about the LCFF.

Local property tax revenues account for approximately 21.3% of the District's aggregate revenues allocated under the LCFF, and are budgeted to be $11.5 million, or 18.0% of total general fund revenues in fiscal year 2014-15.

For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below.

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 3.4% (or approximately $2.2 million) of the District's general fund budgeted revenues for fiscal year 2014-15.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, the District receives other State revenues which comprise approximately 3.4% (or approximately $2.2 million) of the District's general fund budgeted revenues for fiscal year 2014-15. A significant portion of such other State revenues are amounts the District expects to receive from State lottery funds, which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is budgeted at $1,336,524 for fiscal year 2014-15.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from items such as interest earnings and other local sources. Other local revenues comprise approximately 8.7% (or approximately $5.6 million) of the District's general fund budgeted revenues for fiscal year 2014-15.

Significant Accounting Policies and Audited Financial Reports

The 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 Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2014, which are included as Appendix B.

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. The following tables contain data abstracted from financial statements prepared by the District's former independent auditor, Stephen Roatch Accountancy Corporation, Certified Public Accountants, Folsom, California, for fiscal year 2008-09 and by the District's current independent auditor, James Marta & Company, Certified Public Accountants, Sacramento, California, for fiscal years 2009-10 through 2013-14.

The change in auditors in fiscal year 2009-10 resulted in the District presenting certain financial information differently in its audited financial statements. Thus, the information presented in the tables below for fiscal year 2008-09 and fiscal years 2009-10 through 2013-14 are categorized differently. Although historical total revenue and expenditure figures are comparably consistent, the categorical breakdown of revenues and expenditures is different for the revised accounting formats and is not directly comparable.

Stephen Roatch Accountancy Corporation, Certified Public Accountants and James Marta & Company, Certified Public Accountants, have not been requested to consent to the use or to the inclusion of their respective reports in this Official Statement, and they have not audited or reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The following tables show the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal year 2008-09. The table on page A-16 shows the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2009-10 through 2013-14.

BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Year 2008-09

	Fiscal Year 2008-09
REVENUES	
Revenue limit sources:	
State apportionment	$29,965,101
Local taxes	13,862,709
Total revenue limit	43,827,810
Federal revenue	4,551,973
State revenues	7,905,824
Local revenues	4,667,208
Total Revenues	60,952,815
EXPENDITURES	
Instruction	41,320,153
Supervision of Instruction	1,102,794
Instructional Library and Technology	779,666
School Site Administration	3,769,462
Home-To-School Transportation	893,681
Food Services	673
Other Pupil Services	1,401,020
Data Processing Services	591,071
Other General Administration	1,887,355
Plant Services	4,400,985
Facilities Acquisition and Construction	26,259
Ancillary Services	82,127
Debt Service:	
Principal Retirement	-
Interest and Issuance Costs	-
Other Outgo	142,603
Total Expenditures	56,397,829
Excess of Revenues Over (Under) Expenditures	4,554,966
Other Financing Sources (Uses)	
Operating transfers in	-
Operating transfers out	(111,749)
Net Financing Sources (Uses)	(111,749)
NET CHANGE IN FUND BALANCES	4,443,217
Fund balance, July 1	7,867,092
Fund Balance – June 30	$12,310,309

Source: Brentwood Union School District Audited Financial Report for fiscal year 2008-09.

BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2009-10 through 2013-14

	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
REVENUES					
Revenue limit sources:					
State apportionment	$27,153,976	$29,778,191	$30,408,793	$30,662,137	$37,598,109
Local sources	11,388,493	11,425,380	10,724,726	11,252,277	12,014,446
Total revenue limit	38,542,469	41,203,571	41,133,519	41,914,414	49,612,555
Federal revenue	4,059,925	4,228,603	4,922,646	2,396,314	2,467,403
Other state revenues	8,168,824	7,414,628	7,404,059	7,627,516	4,134,092
Other local revenues	4,374,236	4,680,394	5,104,212	4,852,768	5,455,673
Total Revenues	55,145,454	57,527,196	58,564,436	56,791,012	61,669,723
EXPENDITURES					
Certificated salaries	32,914,867	31,694,560	31,301,951	32,361,841	35,419,380
Classified salaries	6,995,964	7,101,235	7,595,188	7,877,147	8,590,375
Employee benefits	8,685,313	8,685,811	9,081,411	9,469,147	10,093,300
Books and supplies	2,025,146	1,450,809	1,468,753	1,599,223	2,360,249
Services and other operating expenditures	5,173,762	5,332,962	5,959,327	6,533,888	7,429,270
Capital outlay	418,238	551,430	305,071	394,150	186,049
Other outgo	109,868	110,754	172,381	241,259	225,071
Debt service expenditures	-	-	-	-	-
Total Expenditures	56,323,158	54,927,561	55,884,082	58,476,655	64,303,694
Excess (Deficiency) of Revenues Over Expenditures	(1,177,704)	2,599,635	2,680,354	(1,685,643)	(2,633,971)
Other Financing Sources (Uses)					
Operating transfers in	746,610	59,625	72,520	76,776	97,912
Operating transfers out	-	-	-	-	-
Net Financing Sources (Uses)	746,610	59,625	72,520	76,776	97,912
NET CHANGE IN FUND BALANCES	(431,094)	2,658,900	2,752,874	(1,608,867)	(2,536,059)
Fund balance, July 1	12,310,309	11,879,215	14,538,115	18,026,957	16,418,090
Fund Balance – June 30	$11,879,215	$14,538,115	$17,290,989	$16,418,090	$13,882,031

Source: Brentwood Union School District Audited Financial Reports for fiscal years 2009-10 through 2013-14.

The following table shows the general fund balance sheet of the District for fiscal year 2008-09. The table on page A-18 shows the general fund balance sheet of the District for fiscal years 2009-10 through 2013-14.

BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
Summary of General Fund Balance Sheet
Fiscal Year 2008-09

	Fiscal Year 2008-09
ASSETS	
Deposits and Investments	$3,338,217
Receivable	9,991,971
Stores Inventories	22,881
Total Assets	$13,353,069
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$644,480
Deferred Revenue	398,280
Total Liabilities	1,042,760
FUND BALANCES	
Reserved	4,463,993
Unreserved:	
Designated	7,243,566
Undesignated	602,750
Total Fund Balances	12,310,309
Total Liabilities and Fund Balances	$13,353,069

Source: Brentwood Union School District Audited Financial Report for fiscal year 2008-09.

BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
Summary of General Fund Balance Sheet
Fiscal Years 2009-10 Through 2013-14

	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
ASSETS					
Cash and cash equivalents	$2,287,924	$4,454,969	$1,496,345	$4,975,461	$7,658,517
Accounts receivable	10,253,293	12,645,754	16,695,450	12,088,267	6,973,559
Investments	638,550	264	-	734,079	735,858
Store inventory	20,605	6,744	21,311	21,311	7,397
Due from other funds	8,004	-	-	-	-
Total Assets	$13,208,376	$17,107,731	$18,213,106	$17,819,118	$15,375,331
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$1,094,403	$1,160,080	$860,847	$1,318,443	$1,486,573
Deferred/unearned revenue	234,737	1,409,536	61,270	82,585	6,727
Due to other funds	21	-	-	-	-
Total Liabilities	1,329,161	2,569,616	922,117	1,401,028	1,493,300
FUND BALANCES					
Nonspendable	-	11,744	26,311	26,311	12,396
Restricted	-	1,518,496	2,399,204	2,792,810	2,992,309
Assigned	-	2,802,550	3,914,613	3,583,292	4,470,835
Unassigned	-	10,205,325	10,950,861	10,015,677	6,406,491
Fund balances	11,879,215	14,538,115	17,290,989	16,418,090	13,882,031
Total liabilities and fund balances	$13,208,376	$17,107,731	$18,213,106	$17,819,118	$15,375,331

Source: Brentwood Union School District Audited Financial Reports for fiscal years 2009-10 through 2013-14.

District Budget Process and County Review

State law requires school districts to adopt a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the County of Contra Costa Superintendent of Schools.

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than August 15. The county superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Trustees and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget, and file it with the county superintendent no later than September 8. 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. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

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

A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) 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 fiscal year. The county superintendent 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 is deemed unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent.

In the last five years, the District has not received a negative or qualified certification for an interim financial report pursuant to AB 1200, and the District has not had a budget disapproved by the County Superintendent.

BRENTWOOD UNION SCHOOL DISTRICT
(County of Contra Costa, California)
General Fund Budgets for Fiscal Years 2012-13 Through 2014-15,
Unaudited Actuals for Fiscal Years 2012-13 Through 2013-2014 and
First Interim Report for Fiscal Year 2014-15

	2012-13 Original Adopted Budget	2012-13 Unaudited Actuals[1]	2013-14 Original Adopted Budget	2013-14 Unaudited Actuals[1]	2014-15 Original Adopted Budget	2014-15 First Interim Report[2]
REVENUES						
Revenue Limit/LCFF Sources	$41,700,245.00	$41,914,413.02	$44,122,354.00	$49,612,555.39	$54,091,259.00	$54,360,655.00
Federal Revenue	3,482,666.00	2,396,314.19	2,520,613.00	2,467,402.64	2,152,254.00	2,155,054.00
Other State Revenue	6,846,845.00	7,627,515.90	8,972,846.00	4,134,091.35	2,166,828.00	2,718,304.00
Other Local Revenue	4,553,919.00	4,850,565.32	4,612,594.00	5,453,891.84	5,557,801.00	6,002,380.00
TOTAL REVENUES	56,563,675.00	$56,788,808.43	$60,228,407.00	$61,667,941.22	$63,968,142.00	$65,236,393.00
EXPENDITURES						
Certificated Salaries	32,354,446.00	32,361,837.40	33,948,645.00	35,419,379.45	35,962,749.00	35,859,419.00
Classified Salaries	7,669,208.00	7,877,148.31	8,230,932.00	8,590,371.89	8,654,078.00	8,715,836.00
Employee Benefits	9,384,282.00	9,469,160.12	9,790,627.00	10,093,301.35	10,809,112.00	10,608,468.00
Books and Supplies	1,724,472.00	1,599,216.11	2,607,723.00	2,360,249.08	3,092,954.00	3,995,109.00
Services, Other Operating Expenses	6,179,229.00	6,533,885.27	6,781,368.00	7,429,271.96	7,696,335.00	8,324,576.00
Capital Outlay	379,400.00	394,150.06	340,000.00	186,048.99	55,000.00	53,940.00
Other Outgo (excluding Direct Support/Indirect Costs)	125,000.00	241,258.47	28,000.00	225,070.90	546,129.00	594,146.00
Other Outgo - Transfers of Indirect Costs	(85,680.00)	(76,776.00)	(95,000.00)	(97,912.00)	(129,212.00)	(129,212.00)
TOTAL EXPENDITURES	57,730,357.00	58,399,881.74	61,632,295.00	64,205,781.62	66,687,145.00	68,022,282.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,166,682.00)	(1,611,073.31)	(1,403,888.00)	(2,537,840.40)	(2,719,003.00)	(2,785,889.00)
OTHER FINANCING SOURCES (USES)						
Inter-fund Transfers In	-	-	-	-	-	-
Inter-fund Transfers Out	-	-	-	-	-	215,000.00
Other Sources (Uses)	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
TOTAL, OTHER FINANCING SOURCES (USES)	-	-	-	-	-	(215,000.00)
NET INCREASE (DECREASE) IN FUND BALANCE	(1,166,682.00)	(1,611,073.31)	(1,403,888.00)	(2,537,840.40)	(2,719,003.00)	(3,000,889.00)
BEGINNING BALANCE, as of July 1	16,197,244.98	17,290,988.83	15,679,915.52	15,679,915.52	13,142,075.12	13,142,075.12
Audit Adjustments	-	-	-	-	-	-
As of July 1 – Audited	16,197,244.98	17,290,988.83	15,679,915.52	15,679,915.52	13,142,075.12	13,142,075.12
Other Restatements	-	-	-	-	-	-
Adjusted beginning Balance	16,197,244.98	17,290,988.83	15,679,915.52	15,679,015.52	13,142,075.12	13,142,075.12
ENDING BALANCE	$15,030,562.98	$15,679,915.52	$14,276,027.52	$13,142,075.12	$10,423,072.12	$10,141,186.12

[1] Total revenues and total expenditures do not match the District's audited financial statements because the audited financial statements include the Special Reserve Funds for Other Than Capital Outlay and Other Postemployment Benefits beginning in fiscal year 2012-13, which funds are not included as part of the general fund in the District's internal financial reports.
[2] Figures are projections.
Source: Brentwood Union School District Adopted general fund Budgets for fiscal years 2012-13, 2013-14 and 2014-15; unaudited actuals for fiscal years 2012-13 and 2013-14; and first interim report for fiscal year 2014-15.

District Debt Structure

Long-Term Debt Summary. A schedule of the District's long-term obligations for the year ended June 30, 2014, consisted of the following:

Long-Term Debt	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
General obligation bonds:[1]					
Current Interest	$47,965,000	$ -	$2,365,000	$45,600,000	$2,505,000
Capital Appreciation	2,070,460	122,865	-	2,193,325	-
Capital Leases	2,316,787	-	313,345	2,003,442	325,073
Other Postemployment benefits	1,503,965	471,926	124,766	1,851,125	125,000
Compensated absences	10,317	3,910	-	14,227	14,227
Total	$53,866,529	$598,701	$2,803,111	$51,662,119	$2,969,300

[1] Includes the portion of the Prior Bonds (defined below) to be refunded with proceeds of the Series 2014 Refunding Bonds. See "THE SERIES 2014 REFUNDING BONDS – Outstanding Bonds; Plan of Finance" and "THE SERIES 2014 REFUNDING BONDS – Aggregate Debt Service" in the front portion of this Official Statement for the annual debt service requirements for the District's outstanding bonds.
Source: Brentwood Union School District Audited Financial Report for fiscal year 2012-13.

General Obligation Bonds. In addition to the Series 2014 Refunding Bonds, the District has five outstanding series of bonds, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District. On November 4, 1997, over two-thirds of the registered voters of the District approved the authorization to issue bonds of the District in an aggregate principal amount not to exceed $20,000,000 to provide adequate classroom space, expand and renovate existing schools, provide access to technology for students, acquire school sites, and construct schools to alleviate student overcrowding and enhance educational opportunities for all students of the District (the "1997 Authorization"). On April 15, 1998, the County, at the request of the District, issued $4,996,606.90 aggregate initial principal amount of bonds (the "Series 1997A Bonds") as the District's first series of bonds issued under the 1997 Authorization. On November 14, 2000, the County, at the request of the District, issued $6,000,000 aggregate principal amount of current interest bonds (the "Series 1997B Bonds") and $999,703.90 aggregate initial principal amount of capital appreciation bonds (the "Series 1997C Bonds"), as the District's second and third, respectively series of bonds issued under the 1997 Authorization. On November 1, 2001, the County, at the request of the District, issued $1,996,669.40 aggregate initial principal amount of capital appreciation bonds (the "Series 1997D Bonds") and $6,000,000 aggregate principal amount of current interest bonds (the "Series 1997E Bonds") as the District's fourth and fifth, respectively, series of bonds issued under the 1997 Authorization. On March 20, 2007, the District issued $7,175,000 aggregate principal amount of its refunding bonds (the "Series 2007 Refunding Bonds") to refund the outstanding Series 1997A Bonds.

On March 4, 2003, over two-thirds of the registered voters of the District approved the authorization to issue bonds of the District in an aggregate principal amount not to exceed $35,000,000 to finance the acquisition of to build new schools to avoid classroom overcrowding throughout the District, add new classrooms and buildings to existing sites, renovate and improve all schools, improve student security systems, acquire future school sites, provide all students with access to technology, and for other related purposes. On February 10, 2004, the County, at the request of the District, issued $12,000,000 aggregate principal amount of bonds (the "Series 2003A Bonds") as the District's first series of bonds issued under the 2003 Authorization. On February 16, 2005, the County, at the request of the District, issued $12,000,000 aggregate principal amount of bonds (the "Series 2003B Bonds") as the District's second series of bonds issued under the 2003 Authorization. On March 20, 2007, the County, at the request of the District, issued $11,000,000 aggregate principal amount of bonds (the "Series 2003C Bonds") as the District's third and final series of bonds issued under the 2003 Authorization.

On September 24, 2003, the District issued $8,995,000 aggregate principal amount of its refunding Bonds (the "Series 2003 Refunding Bonds") to refund bonds previously issued by the District from a prior authorization in 1993.

On April 17, 2012, the District issued $23,155,000 aggregate principal amount of its refunding bonds (the "Series 2012 Refunding Bonds") to refund (i) all of the outstanding Series 1997B Bonds, (ii) all of the outstanding Series 1997E Bonds, (iii) all of the outstanding Series 2003 Refunding Bonds, and (iv) and the outstanding Series 2003A Bonds.

A portion of the Series 2003B Bonds, a portion of the Series 2003C Bonds and a portion of the Series 2007 Refunding Bonds (collectively, the "Prior Bonds") are to be refunded with proceeds of the Series 2014 Refunding Bonds. See "THE SERIES 2014 REFUNDING BONDS – Outstanding Bonds; Plan of Finance" in the front portion of this Official Statement. The following table summarizes the District's current interest bonds that were outstanding as of June 30, 2014:

Bond	Year of Issue	Interest Rates	Year of Final Maturity	Amount of Original Issue	Outstanding July 1, 2013	Accreted Interest Current Year	Redeemed Current Year	Bonds Outstanding June 30, 2014
Series 2003A Bonds	2/10/04	3.50%-8.00%	2026	$12,000,000	$225,000	$ -	$225,000	$ -
Series 2003B Bonds[1]	2/16/05	3.63%-7.00%	2030	12,000,000	9,330,000	-	400,000	8,930,000
Series 2003C Bonds[1]	3/07/07	3.80%-8.0%	2032	11,000,000	9,730,000	-	345,000	9,385,000
Series 2007 Refunding Bonds[1]	3/07/07	3.50%-5.25%	2023	7,175,000	6,965,000	-	155,000	6,810,000
Series 2012 Refunding Bonds	4/17/12	2.00%-5.00%	2028	23,155,000	21,715,000	-	1,240,000	20,475,000
				$65,330,000	$47,965,000	$ -	$2,365,000	$45,600,000

[1] A portion of the Series 2003B Bonds, a portion of the Series 2003C Bonds and a portion of the Series 2007 Refunding Bonds are to be refunded with proceeds of the District's Series 2014 Refunding Bonds. See "THE SERIES 2014 REFUNDING BONDS – Outstanding Bonds; Plan of Finance" in the front portion of this Official Statement.
Source: Brentwood Union School District Audited Financial Report for fiscal year 2013-14.

The following table summarizes the District's capital appreciation bonds that were outstanding as of June 30, 2014:

Bond	Year of Issue	Interest Rates	Year of Final Maturity	Amount of Original Issue	Outstanding July 1, 2013	Accreted Interest Current Year	Redeemed Current Year	Bonds Outstanding June 30, 2014
Series 1997C Bonds	11/15/00	5.81%-5.89%	2026	$999,704	$2,070,461	$122,864	$ -	$2,193,325

Source: Brentwood Union School District Audited Financial Report for fiscal year 2013-14.

See "THE SERIES 2014 REFUNDING BONDS – Outstanding Bonds; Plan of Finance" in the front portion of this Official Statement for more information on the Prior Bonds to be refunded with proceeds of the Series 2014 Refunding Bonds, and see "THE SERIES 2014 REFUNDING BONDS – Aggregate Debt Service" in the front portion of this Official Statement for the annual debt service requirements for the District's outstanding bonds.

Capitalized Lease Obligations. In February 2010, the District refinanced the principal evidenced by a portion of its certificates of participation delivered in 1996 (the "1996 COPs") and entered into an adjustable rate capital lease with Zions National Bank in the amount of $997,000. The final principal payment for such lease is due on March 1, 2020. In August 2010, the District refinanced the remaining principal evidenced by the outstanding 1996 COPs and entered into an adjustable rate capital lease in the amount of $2,098,000. The final principal payment for such lease is due on August 1, 2019. Future minimum lease payments for both of the capital leases are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	$ 325,073	$ 70,883	$ 395,956
2016	337,166	58,791	395,957
2017	349,709	46,248	395,957
2018	362,718	33,239	395,957
2019	376,211	19,746	395,957
2020-2024	252,565	5,751	258,316
	$2,003,442	$234,658	$2,238,100

Source: Brentwood Union School District Audited Financial Report for fiscal year 2013-14.

Other Post-Employment Benefits. In addition to the retirement plan benefits with CalSTRS and the State Public Employees' Retirement System ("CalPERS") (see "– Retirement Benefits" below), the District provides retiree health benefits for eligible retired employees. Employees eligible to participate in the District's health care plan (the "Plan") are all current employees with at least 20 years of full-time service with the District and are eligible for pension benefits under CalSTRS or CalPERs. The Plan is a single-employer defined benefit health care plan administered by the District which provides contributions toward the purchase of medical insurance to eligible retirees. The District subsidizes an amount not-to-exceed the rate for a single person medical coverage in the health plan in effect, which the retiring employee is enrolled in at the time of retirement. The District provides the benefit for 10 years or until the retiree reaches age 65, whichever comes first. The retiree is responsible for self-paying any costs in excess of the subsidized amount associate with his or her coverage, plus the costs for spouses or dependents of any age. As of July 1, 2014, the plan has 16 retirees receiving benefits as well as 511 active employees who may become eligible to retire and receive benefits in the future.

The Governmental Accounting Standards Board released its Statement Number 45 ("Statement Number 45"), which requires municipalities to account for other post-employment benefits (meaning other than pension benefits) ("OPEB") liabilities much like municipalities are required to account for pension benefits. The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis, which has been the practice for most municipalities and public sector organizations. OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. Statement Number 45 was phased in over a three-year period based upon the entity's revenues. Statement Number 45 became effective for the District beginning in fiscal year 2008-09.

The contribution requirement of plan members and the District are established under a funding policy approved by the District's Board of Education, and may be amended by the District from time to time. The District's current funding policy is to pay for Plan benefits on a pay-as-you-go basis, and the District has not established an irrevocable trust to prefund its OPEB liability and no prefunding of benefits has been made. For fiscal years 2011-12, 2012-13 and 2013-14, the District contributed $95,041, $91,117 and $124,766, respectively to the Plan, including current claim costs and Plan expenses.

Demsey, Filliger & Associates, Chatsworth, California, has prepared an actuarial valuation covering the District's retiree health benefits and reports that, as of July l, 2013, the District had an actuarial accrued liability of $3,816,000, and an unfunded actuarial accrued liability of the same amount because there has not been any prefunding of such liability. According to such valuation, the District's annual required contribution was $497,852 for fiscal year 2013-14, and was estimated to be the same for fiscal 2014-15. The District's net OPEB obligation was estimated to be $1,851,125 as of June 30, 2014. Certain assumptions incorporated in such actuarial valuation include a 4.0% discount rate (the prior valuation assumed 5.0%), a 4.0% return on investments, and various other assumptions.

For additional information about the District's Plan, as well as information regarding a previous actuarial valuation, see Note 10 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

Tax and Revenue Anticipation Notes. The District does not expect to issue any tax and revenue anticipation notes ("TRANs") in fiscal year 2014-15. The District may issue TRANs in future fiscal years to supplement cash flow when necessary.

Employment

As of June 30, 2014, the District employed 792 employees, consisting of 401 certificated employees and 391 classified employees. For the year ended June 30, 2014, the total certificated and classified payrolls from all funds were approximately $35.4 million (unaudited) and $8.6 million (unaudited), respectively. For fiscal year 2014-15, the total certificated and classified payrolls from all funds are budgeted to be approximately $36.0 million and $8.7 million, respectively.

District employees are represented by employee bargaining units as follows:

Name of Bargaining Unit	Number of Employees Represented	Current Contract Expiration Date
Brentwood Teachers Association	401	June 30, 2014[(1)]
California School Employees Association	225	June 30, 2014[(1)]

[(1)] The District is currently in the process of negotiating new contracts with each of the bargaining units and expects to, but cannot guarantee that it will, reach satisfactory agreements.
Source: Brentwood Union School District.

Retirement Benefits

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees, and the State Public Employees' Retirement System, which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to CalSTRS are fixed in statute. For fiscal year 2013-14, teachers contributed 8% of salary to CalSTRS, while school districts contributed 8.25%. In addition to the teacher and school contributions, the State contributed 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

As of June 30, 2013, an actuarial valuation (the "2013 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of $74.4 billion, an increase of $3.4 billion from the June 30, 2012 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2013, June 30, 2012 and June 30, 2011, based on the actuarial assumptions, were approximately 67%, 67% and 69%, respectively.

Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions. The following are certain of the actuarial assumptions set forth in the 2013 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," 7.50% investment rate of return, 4.50% interest on member accounts, 3.75% projected wage growth, and 3.00% projected inflation. The 2013 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "−Governor's Pension Reform" below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

As indicated above, there was no required contribution from teachers, schools districts or the State to fund the unfunded actuarial liability for the CalSTRS defined benefit program and only the State legislature can change contribution rates. The 2013 CalSTRS Actuarial Valuation noted that, as of June 30, 2013, the contribution rate, inclusive of contributions from the teachers, the school districts and the State, was equivalent to 19.497% over the next 30 years. The 2013 CalSTRS Actuarial Valuation provides that the contribution rate would need to have been raised by 13.382% to a total of 32.879% to amortize the unfunded liability over a 30-year period as of June 30, 2013.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 which implements a new funding strategy for CalSTRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate would increase by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions will also increase from 8.00% to a total of 10.25% of pay, phased in over the next three years. The State's total contribution will also increase from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

The District's total general fund employer contributions to CalSTRS for fiscal years 2010-11, 2011-12, 2012-13 and 2013-14 were $2,676,993, $2,634,830, $2,700,984 and $2,966,128, respectively, and were equal to 100% of the required contributions for each year. The District has budgeted employer contributions from its general fund to CalSTRS of $3,434,567 for fiscal year 2014-15. With the implementation of AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years.

The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report and actuarial valuations may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

CalPERS. All qualifying classified employees of K-12 school districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the

same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS will not significantly increase in the future above current levels.

According to the CalPERS State and Schools Actuarial Valuation as of June 30, 2012, the CalPERS Schools plan had a funded ratio of 75.5% on a market value of assets basis. The funded ratio as of June 30, 2011, June 30, 2010, June 30, 2009 and June 30, 2008 was 78.7%, 69.5%, 65.0% and 93.8%, respectively. According to the actuarial valuation as of June 30, 2012, the latest decline in the funded ratio was because the investment return experienced by CalPERS in fiscal year 2011-12 was less than the assumed 7.5%. In June 2009, the CalPERS Board of Administration adopted a new employer rate smoothing methodology for local governments and school employer rates. It was designed to ease the impact of the investment losses which were then expected in fiscal year 2008-09 on affiliated public employers while strengthening the long-term financial health of the pension fund. Under such methodology, certain investment losses are amortized and paid off over a fixed and declining 30-year period instead of a rolling 30-year amortization period.

In March of 2012, the CalPERS Board of Administration adopted new economic actuarial assumptions to be used with the June 30, 2011 actuarial valuation; in particular, lowering the price inflation assumption from 3.00% to 2.75%. Lowering the price inflation assumption resulted in a reduced discount rate, which is the fund's assumed rate of return calculated based on expected price inflation and the expected real rate of return, from 7.75% to 7.5%. According to CalPERS, this reduction in the discount rate is anticipated to increase State and school district employer contributions for each fiscal year beginning in fiscal year 2012-13 by 1.2% to 1.6% for miscellaneous plans (which includes general office and others) and by 2.2% to 2.4% for safety plans beginning in fiscal year 2012-13. In April of 2013, the CalPERS Board of Administration approved changes to the CalPERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. Beginning with the June 30, 2013 actuarial valuation, CalPERS will employ a new amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period (as compared to the current policy of spreading investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period). Such changes, the implementation of which are delayed until fiscal year 2015-16 for the State, schools and all public agencies, are expected to increase contribution rates in the near term but lower contribution rates in the long term.

In February of 2014, the CalPERS Board of Administration adopted new actuarial demographic assumptions that take into account public employees living longer. Such assumptions are expected to increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. CalPERS estimates that the new demographic assumptions could cost public agency employers up to 9% of payroll for safety employees and up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that future experiences differ from CalPERS' current assumptions, the required employer contributions may vary.

The District's total general fund employer contributions from to CalPERS for fiscal years 2010-11, 2011-12, 2012-13 and 2013-14 were $740,831, $773,520, $888,553 and $902,061, respectively, and were equal to 100% of the required contributions for each year. The District budgeted employer contributions from its general fund to CalPERS of $888,388 for fiscal year 2014-15. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see

"−*Governor's Pension Reform*" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013.

The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

CalPERS produces a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information presented in these reports is not incorporated by reference in this Official Statement.

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. CalSTRS and CalPERS are more fully described in Note 8 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

GASB 67 and 68. In June 2012, the Governmental Accounting Standards Board approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans ("Statement Number 67"), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions ("Statement Number 68"), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. Statement Number 67 replaces the current requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and Statement Number 27 replaces the current requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replace the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities are currently typically included as notes to the government's financial statements); (ii) full pension costs would be shown as expenses regardless of actual contribution

levels; (iii) lower actuarial discount rates would be required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities would be required to be used for certain purposes of the financial statements, which generally would increase pension expenses. Statement Number 67 will take effect in fiscal years beginning after June 15, 2013, and Statement Number 68 will take effect in fiscal years beginning after June 15, 2014.

Risk Pooling, Joint Powers Agreements and Joint Ventures

The District participates in three joint powers agreements (JPAs) with Contra Costa County Schools Insurance Group (CCCSIG), for workers' compensation and health and welfare insurance, Contra Costa and Solano Counties School District Self Insurance Authority (CCSOLANO) for property and liability insurance, and Schools Self-Insurance of Contra Costa County (SSICCC) for dental and vision. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

See Note 9 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

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

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

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in

similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIIIA. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

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

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

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

Article XIIIB of the California Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979, thereby adding Article XIIIB to the State Constitution ("Article XIIIB"). Under Article XIIIB state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The District's budgeted appropriations from "proceeds of taxes" (sometimes referred to as the "Gann limit") for the 2013-14 fiscal year are equal to the allowable limit of $24,090,580 and estimates an appropriations limit for the 2014-15 fiscal year of $24,035,172. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID ("Article XIIIC" and "Article XIIID," respectively), which contain a number of

provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

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

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

Statutory Limitations

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in *Santa Clara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 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"). The Accountability Act changed 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 (collectively, "K-14 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, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance 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 districts than the 40.9%, 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 districts. Such transfer would be excluded from the Appropriations Limit for K-14 districts and the K-14 school Appropriations Limits 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 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 schools is 4% of the minimum State spending for education mandated by the Accountability Act, as described above.

On June 5, 1990, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 school districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts' minimum funding level), and that any such transfer to K-14 school districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 school districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 school districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) 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, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the

second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

Proposition 30

On November 6, 2012, voters approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State's income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year, and (b) increased the sales and use tax by one-quarter percent for a period of four years beginning on January 1, 2013 and ending with the 2016 tax year. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see "– Proposition 98 and Proposition 111" above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the Education Protection Account), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

The Proposition 30 tax increases are temporary and expire at the end of the 2016 and 2019 tax years. The District cannot predict the effect the loss of the revenues generated from such temporary tax increases will have on total State revenues and the effect on the Proposition 98 formula for funding schools.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process."

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 62, 98, 111 and 218, 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.

APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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BRENTWOOD UNION SCHOOL DISTRICT

COUNTY OF CONTRA COSTA
BRENTWOOD, CALIFORNIA

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2014

BRENTWOOD UNION SCHOOL DISTRICT

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BRENTWOOD UNION SCHOOL DISTRICT

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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Education
Brentwood Union School District
Brentwood, 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 Brentwood Union School District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Brentwood Union School District (the "District"), as of June 30, 2014, and the respective changes in financial position 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 management's discussion and analysis on pages 4-12, budgetary comparison information on page 38 and schedule of funding progress – other postemployment benefits on page 39, be presented to supplement the basic financial statements. Such information, although not a 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 an 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information as 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 as listed in the table of contents 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 November 25, 2014 on our consideration of the 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 District's internal control over financial reporting and compliance.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 25, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This section of the audited financial statement represents a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014. It is to be read in conjunction with the District's audited financial statements.

USING THIS ANNUAL REPORT

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

FINANCIAL HIGHLIGHTS

- The District's net position was $139,626,665 on June 30, 2014 which is a decrease from the prior year of 3.62%.
- Capital assets, net of depreciation decreased by $5,705,872.
- Long-term liabilities decreased $2,204,410 due to payments on outstanding general obligation bonds.
- On the Statement of Revenues, Expenditures and Changes in Fund Balances, total current year expenditures exceeded current year revenues by $1,608,849 due primarily to spending down of ending fund balance and unexpected one time expenditures in the general fund.
- General Fund accounts receivable were $6,973,559 on June 30, 2014 due mostly to the continuing deferral of revenue limit payments by the state.
- Cash and cash equivalents in all governmental funds was $ 24,102,769 on June 30, 2014, and this is an increase of $3,662,834 from the prior year.
- The District's Net Other Postemployment Benefits obligation increased to $1,851,125 as of June 30, 2014.
- Average daily attendance (ADA) for the P2 period was 8,276, an increase of 79 ADA from the prior year.

- The District maintains sufficient reserves for a district its size. It meets the BUSD Board required minimum reserve of 4.25% of total General Fund expenditures, transfers out, and other uses (total outgo). BUSD Board required reserve exceeds the state minimum requirement. During the fiscal year 2013-14, General Fund expenditures and other financing uses totaled $64,303,694. At June 30, 2014, the District had available reserves (includes local designations) of $10,877,326 in the General Fund which represents a reserve of 16.9%.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS WHOLE

Comparative Statement of Net Position

	Governmental Activities	
Assets	2013	2014
Deposits and Investments	$ 20,439,935	$ 24,102,769
Current Receivables	12,291,703	7,160,735
Stores Inventory	53,669	41,864
Prepaid Expenses	0	0
Capital Assets, net	170,214,606	164,508,734
Total Assets	202,999,913	195,814,102
Liabilities		
Current	5,460,993	6,089,071
Long-Term	51,077,797	48,692,819
Total Liabilities	56,538,790	54,781,890
Deferred Inflows of Resources		
Deferred bond premium revenue	1,584,675	1,405,547
Net Position		
Invested in Capital Assets - Net of Related Debt	117,862,359	114,711,967
Restricted	11,969,211	15,199,968
Unrestricted	15,044,878	9,714,730
Total Net Position	$ 144,876,448	$ 139,626,665

Comparative Statement of Change in Net Position

	Governmental Activities	
Program Revenues	2013	2014
Charges for Services	$ 3,399,104	$ 3,612,580
Operating Grants and Contributions	9,541,837	8,229,346
Capital Grants and Contributions	892,214	9,725
General Revenues		
Taxes Levied	15,671,356	16,621,734
Federal and State Aid	36,483,774	38,964,758
Interest and Investment Earnings	41,963	49,551
Transfers form Other Agencies	16,212	58,095
Miscellaneous	540,625	356,165
Total Revenues	66,587,085	67,901,954
Expenses		
Instruction	42,765,713	47,656,839
Instruction Related Services	6,464,513	6,825,995
Pupil Services	4,406,675	5,165,340
General Administration	6,535,595	3,875,536
Plant Services	5,452,268	7,431,911
Ancillary Services	78,202	75,263
Interest on Long-Term Debt	2,030,356	1,772,898
Other Outgo	241,328	347,955
Total Expenses	67,974,650	73,151,737
Changes in Net Position	$ (1,387,565)	$ (5,249,783)

Summary of Revenues for Governmental Functions

	FYE 2013 Amount	Percent of Total	FYE 2014 Amount	Percent of Total
Program Revenues				
Charges for Services	$ 3,399,104	5.10%	$ 3,612,580	5.32%
Operating Grants & Contributions	9,541,837	14.33%	8,229,346	12.12%
Capital Grants & Contributions	892,214	1.34%	9,725	0.01%
General Revenues				
Taxes Levied	15,671,356	23.54%	16,621,734	24.48%
Federal & State Aid	36,525,737	54.85%	39,014,309	57.46%
Other Revenues	556,837	0.84%	414,260	0.61%
Total Revenues	$ 66,587,085	100.00%	$ 67,901,954	100.00%

Schedule of Expenses for Governmental Functions

	FYE 2013 Amount	Percent of Total	FYE 2014 Amount	Percent of Total
Expenses				
Instruction	$ 42,765,713	62.91%	$ 47,656,839	65.15%
Instruction Related Services	6,464,513	9.51%	6,825,995	9.33%
Pupil Services	4,406,675	6.48%	5,165,340	7.06%
General Administration	6,535,595	9.61%	3,875,536	5.30%
Plant Services	5,452,268	8.02%	7,431,911	10.16%
Other Expenses	2,349,886	3.46%	2,196,116	3.00%
Total Expenses	$ 67,974,650	100.00%	$ 73,151,737	100.00%

Comparative Schedule of Fund Balances

	Fund Balances June 30, 2013	Fund Balances June 30, 2014	Increase (Decrease)
General	$ 15,679,916	$ 13,142,078	$ (2,537,838)
Building	2,341,864	1,227,950	(1,113,914)
County School Facilities	2,271,494	2,313,302	41,808
Deferred Maintenance	0	0	0
Cafeteria	747,056	522,002	(225,054)
Special Reserve (Other than Capital)	668,318	669,926	1,608
Special Reserve (OPEB)	69,856	70,028	172
Special Reserve (Capital)	1,361,800	1,365,077	3,277
Bond Interest and Redemption	3,297,764	3,533,471	235,707
Capital Facilities	4,828,409	6,813,794	1,985,385
Totals	$ 31,266,477	$ 29,657,628	$ (1,608,849)

THE FINANCIAL REPORT

This annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and Management's Discussion and Analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, district-wide and funds.

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

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

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

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

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

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

Reporting the District as a Whole

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

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

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

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

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

Governmental Activities

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

Business-type Activities

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

Reporting the District's Most Significant Funds

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

Governmental Funds:

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

Proprietary Funds:

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

Fiduciary Funds:

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

GENERAL FUND BUDGETARY INFORMATION

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

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in California. Enrollment has steadily increased since 1994-95 but this trend has been slowing in recent years. The original 2013-14 budget projected a flat enrollment due to a loss of a large eighth grade cohort, but assumed slight increase in enrollment for kindergarten and other grade levels. As a result of this flat projection, the District expects to be funded in 2014-15 on 2013-14 P2 ADA. District enrollment as of October 2013 increased by 49 students compared to the prior year.

Beginning in the fiscal year 2008-09, the District began to account for other post-employment benefits under GASB Statement No. 45 which requires the District to recognize the cost of these benefits on the government-wide financial statements. Based on the most recent actuarial report that was completed in 2013, the actuarially accrued liability as of July 1, 2013 is estimated at $8,360,874. The annual required contribution which includes the present value of the benefits accruing in the current year and a 30 year amortization of the unfunded liability is $497,852. While GASB Statement No. 45 does not require districts to fund the liability, the District has adopted a management plan that is designed to begin offsetting this growing liability over time. As a result of the positive state fiscal outlook and the improvement in funding for K-12 Education, the District plans to address its funding plan for this obligation.

The financial well-being of the District is tied in large measure to the State funding formula and the State's ability to fund K-12 education. The 2014 State Budget Act reflects California's most stable fiscal footing in well over a decade.

With the tough spending cuts enacted over the past several years and new temporary revenues provided by the passage of Proposition 30, the state's budget is projected to remain balanced for the foreseeable future. However, substantial risks, uncertainties, and liabilities remain. In 2014-15, the State's budget includes total funding of $75.9 billion ($45.1 billion General Fund and $30.8 billion other funds) for all K-12 Education programs. It focuses on maintaining the core priorities outlined in the Governor's Budget for K-12 schools - paying down the "Wall of Debt" and investing significantly in the new Local Control Funding Formula (LCFF).

- A base grant for each LEA equivalent to $7,643 per ADA. This amount includes an adjustment of 10.4% to base grant to support lowering of class sizes in K-3.
- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect the increased cost associated with educating those students.
- An additional concentration grant of up to 22.5% of LEA's base grant, based on the number of English learners, students from low-income families and foster youth served by the LEA to comprise more than 55% of enrollment.

The LCFF moves from a state-controlled system that emphasizes inputs to a locally- controlled system focused on improved outcomes. A new critical part to the budget process and LCFF is the Local Control Accountability Plan (LCAP). Districts are now required to adopt LCAP in conjunction with the annual budget. The LCAP is a district planning document that addresses the states eight priorities. It also includes districts annual goals for all pupils in addition to outlining goals specifically for each subgroup of pupils in the districts unduplicated count.

Although the conditions have improved, the 2014-15 Budget and MYP has projected to deficit spend and will require management to continue its proactive approach in identifying and implementing the necessary adjustments to the District's budget in order to maintain fiscal solvency.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL SECTION

BRENTWOOD UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 16,843,993
Investments	7,258,776
Receivables	7,160,735
Inventory	41,864
Capital assets, net of accumulated depreciation	164,508,734
Total Assets	195,814,102
LIABILITIES	
Accounts payable and other current liabilities	3,113,044
Unearned revenue	6,727
Long-term liabilities:	
Due within one year	2,969,300
Due in more than one year	48,692,819
Total Liabilities	54,781,890
DEFRRED INFLOWS OF RESOURCES	
Deferred bond premium revenue	1,405,547
NET POSITION	
Invested in capital assets, net of related debt	114,711,967
Restricted	15,199,968
Unrestricted	9,714,730
Total Net Position	$ 139,626,665

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

BRENTWOOD UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	$ 47,656,839	$ 1,058,863	$ 4,804,905	$ 9,725	$ (41,783,346)
Instruction - related services:					
Instructional supervision and administration	1,243,124	4,372	342,510	-	(896,242)
Instructional library, media and technology	1,160,690	55,121	21,940	-	(1,083,629)
School site administration	4,422,181	16,932	31,872	-	(4,373,377)
Pupil Services:					
Home-to-school transportation	913,152	34,741	-	-	(878,411)
Food services	2,133,936	602,719	1,136,327	-	(394,890)
All other pupil services	2,118,252	4,973	433,790	-	(1,679,489)
General administration:					
Centralized data processing	515,404	-	-	-	(515,404)
All other general administration	3,360,132	36,090	457,477	-	(2,866,565)
Plant services	7,431,911	655,190	480,078	-	(6,296,643)
Ancillary services	75,263	27,512	10,951	-	(36,800)
Interest on long-term debt	1,772,898	-	-	-	(1,772,898)
Other outgo	347,955	1,116,067	509,496	-	1,277,608
Total governmental activities	$ 73,151,737	$ 3,612,580	$ 8,229,346	$ 9,725	(61,300,086)

General Revenues	
Taxes and subventions:	
Taxes levied for general purposes	12,014,446
Taxes levied for debt service	4,464,258
Taxes levied for other specific purposes	143,030
Federal and state aid not restricted to specific purposes	38,964,758
Interest and investment earnings	49,551
Interagency revenues	58,095
Miscellaneous	356,165
Total general revenues	56,050,303
Change in net position	(5,249,783)
Net Position, July 1, 2013	144,876,448
Net Position, June 30, 2014	$ 139,626,665

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

BRENTWOOD UNION SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2014

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
ASSETS					
Cash and cash equivalents	$ 7,658,517	$ 3,816,575	$ 3,533,471	$ 1,835,430	$ 16,843,993
Accounts receivable	6,973,559	-	-	187,176	7,160,735
Investments	735,858	3,012,750	-	3,510,168	7,258,776
Stores inventory	7,397	-	-	34,467	41,864
Total assets	$ 15,375,331	$ 6,829,325	$ 3,533,471	$ 5,567,241	$ 31,305,368
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 1,486,573	15,531	$ -	$ 138,909	$ 1,641,013
Unearned revenue	6,727	-	-	-	6,727
Total Liabilities	1,493,300	15,531	-	138,909	1,647,740
Fund balances					
Nonspendable	12,396	-	-	34,467	46,863
Restricted	2,992,309	6,813,794	-	5,393,865	15,199,968
Assigned	4,470,835	-	3,533,471	-	8,004,306
Unassigned	6,406,491	-	-	-	6,406,491
Fund balances	13,882,031	6,813,794	3,533,471	5,428,332	29,657,628
Total liabilities and fund balances	$ 15,375,331	$ 6,829,325	$ 3,533,471	$ 5,567,241	$ 31,305,368

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

BRENTWOOD UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2014

Total fund balances - governmental funds		$ 29,657,628
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 at historical cost:	$ 221,526,907	
Accumulated depreciation:	(57,018,173)	
Net:		164,508,734
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.		(1,472,031)
Unamortized bond premiums: In governmental funds, debt issue premiums are recognized as other financing sources in the period they are received. In the govenerment-wide statements, bond premiums are amortized over the life of the debt.		(1,405,547)
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:		
General obligation bonds payable:		
Current Interest	$ (45,600,000)	
Capital Appreciation	(2,193,325)	
Other post-employment benefits	(1,851,125)	
Compensated absences payable	(14,227)	
Capital leases payable	(2,003,442)	
		(51,662,119)
Total net position, governmental activities:		$ 139,626,665

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

BRENTWOOD UNION SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
REVENUES					
LCFF sources					
State apportionment	$ 37,598,109	$ -	$ -	$ -	$ 37,598,109
Local sources	12,014,446	-	-	-	12,014,446
Total LCFF revenue	49,612,555	-	-	-	49,612,555
Federal revenue	2,467,403	-	-	1,208,199	3,675,602
Other state revenues	4,134,092	-	45,134	92,696	4,271,922
Other local revenues	5,455,673	2,744,422	4,425,037	716,747	13,341,879
Total revenues	61,669,723	2,744,422	4,470,171	2,017,642	70,901,958
EXPENDITURES					
Certificated salaries	35,419,380	-	-	-	35,419,380
Classified salaries	8,590,375	47,788	-	864,616	9,502,779
Employee benefits	10,093,300	14,973	-	265,144	10,373,417
Books and supplies	2,360,249	147,137	-	885,439	3,392,825
Services and other operating expenditures	7,429,270	110,842	-	1,172,899	8,713,011
Capital outlay	186,049	-	-	67,903	253,952
Other outgo	225,071	-	-	-	225,071
Debt service expenditures	-	395,908	4,234,464	-	4,630,372
Total expenditures	64,303,694	716,648	4,234,464	3,256,001	72,510,807
Excess(deficiency) of revenues over expenditures	(2,633,971)	2,027,774	235,707	(1,238,359)	(1,608,849)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	97,912	-	-	42,389	140,301
Operating transfers out	-	(42,389)	-	(97,912)	(140,301)
Total other financing sources (uses)	97,912	(42,389)	-	(55,523)	-
Net change in fund balances	(2,536,059)	1,985,385	235,707	(1,293,882)	(1,608,849)
Fund balances, July 1, 2013	16,418,090	4,828,409	3,297,764	6,722,214	31,266,477
Fund balances, June 30, 2014	$ 13,882,031	$ 6,813,794	$ 3,533,471	$ 5,428,332	$ 29,657,628

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

BRENTWOOD UNION SCHOOL DISTRICT

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Total net change in fund balances - governmental funds		$ (1,608,849)
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:	$ 186,737	
Depreciation expense:	(5,892,609)	(5,705,872)
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:		2,678,345
Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt.		179,128
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		(318,600)
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:		(347,160)
Compensated absences: In goverenmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and earned was:		(3,910)
Accreted interest on capital appreciation bonds: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Accreted interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		(122,865)
Total change in net position - governmental activities		$ (5,249,783)

BRENTWOOD UNION SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

JUNE 30, 2014

	Student Body
Assets:	
Cash on hand and in banks	$278,606
Total Assets	278,606
Liabilities:	
Accounts Payable	35,344
Due to student groups	243,261
Total Liabilities	278,606
Net Position	$ -

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING POLICIES

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

B. REPORTING ENTITY

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

C. BASIS OF PRESENTATION

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

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

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

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

Fund Financial Statements

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

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

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

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

E. FUND ACCOUNTING

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

Governmental Funds:

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

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

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

2. *Special Reserve for Other Than Capital Outlay Fund* is used to account for the accumulation of funds for special projects other than capital projects. This fund is included in the General Fund for reporting purposes.

3. *Special Reserve for Postemployment Benefits Fund* is used to account for amounts the District has earmarked for the future costs of post employment benefits. This fund is included in the general fund for reporting purposes.

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

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

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

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

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

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

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

Fiduciary Funds

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

F. BUDGETS AND BUDGETARY ACCOUNTING

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

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

G. INVENTORY

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

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

H. CAPITAL ASSETS

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

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

I. COMPENSATED ABSENCES

All vacation pay plus related payroll taxes are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. ACCUMULATED SICK LEAVE

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

K. RESTRICTED NET POSITION

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

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

L. UNEARNED REVENUE

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

M. LOCAL CONTROL FUNDING FORMULA/PROPERTY TAX

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

The County of Contra Costa is responsible for assessing, collecting and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. Taxes are levied for each fiscal year on taxable real and personal property in the county. Secured property taxes attach as an enforceable lien on property as of March 1. Property taxes become delinquent after December 10 and April 10, respectively.

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula (LCFF) sources by the District.

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

N. FUND BALANCE

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

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

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

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

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

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

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

O. ENCUMBRANCES

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

P. ESTIMATES

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

Q. ELIMINATIONS AND RECLASSIFICATIONS

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

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2014 consist of the following:

	Governmental Activities	Fiduciary Activities
Cash in County Treasury	$ 16,837,993	
Cash on hand and in banks	1,000	$ 278,606
Cash in revolving fund	5,000	
Local Agency Investment Fund	7,258,776	
	$ 24,102,769	$ 278,606

A. Cash in County Treasury

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

As permitted under applicable state laws, the Contra Costa County Treasurer may invest in derivative securities. However, at June 30, 2014, the Contra Costa County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

B. Cash in Revolving Funds and in Banks

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

Interest Rate Risk. The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2014, the District had no significant interest rate risk related to cash and investments held.

C. Local Agency Investment Fund

The District places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in this pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account with twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations. This fund currently yields approximately 0.22% interest annually. The monies held in the pooled investment funds are not subject to categorization by risk category.

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

3. ACCOUNTS RECEIVABLE

Accounts receivable balances at June 30, 2014 consisted of:

	General Fund	All Non-Major Funds	Total
Federal government:			
Federal programs	$ 705,237	$ 176,229	$ 881,466
State government:			
Revenue limit	4,787,161	-	4,787,161
Other - state	1,355,571	10,521	1,366,092
Total state government	6,142,732	10,521	6,153,253
Local government:			
Other	125,590	426	126,016
Totals	$ 6,973,559	$ 187,176	$ 7,160,735

4. INTERFUND TRANSACTION

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

Interfund Receivables/Payables

There were no interfund receivable and payable balances at June 30, 2014.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2013-2014 fiscal year are as follows:

Transfer from Cafeteria Fund to the General Fund for Direct Support - Indirect costs	$ 97,912
Transfer from Capital Facilities Fund to the County School Facilities Fund for Capital project expenditures (Garin Modernization Project).	42,389
Total Transfers	$ 140,301

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions and Transfers	Deductions and Transfers	Balance June 30, 2014
Non-depreciable assets:				
Land	$ 22,673,946	$ -	$ -	$ 22,673,946
Work in progress	18,630,409	129,140	(18,219,024)	540,525
	41,304,355	129,140	(18,219,024)	23,214,471
Depreciable assets:				
Sites and improvements	33,785,902	2,672,811	-	36,458,713
Building and improvements	142,767,951	15,426,051	-	158,194,002
Furniture and equipment	3,481,962	177,759	-	3,659,721
	180,035,815	18,276,621	-	198,312,436
Totals, at cost	221,340,170	18,405,761	(18,219,024)	221,526,907
Accumulated depreciation:				
Sites and improvements	(15,667,656)	(1,687,872)	-	(17,355,528)
Building and improvements	(33,425,277)	(3,946,900)	-	(37,372,177)
Furniture and equipment	(2,032,631)	(257,837)	-	(2,290,468)
	(51,125,564)	(5,892,609)	-	(57,018,173)
Depreciable assets, net	128,910,251	12,384,012	-	141,294,263
Capital assets, net	$ 170,214,606	$ 12,513,152	$ (18,219,024)	$ 164,508,734

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 4,231,061
Supervision of Instruction	109,707
Instructional Library and Technology	77,562
School site administration	374,991
Food services	199,453
Other Pupil Services	139,376
Data Processing	58,801
Other General Administration	197,268
Plant services	504,390
Total depreciation expense	$ 5,892,609

6. LONG-TERM LIABILITIES

General Obligation Bonds

The District's outstanding general obligation bonded debt as of June 30, 2014 is as follows:

A. Current Interest Bonds

Description	Date Of Issue	Interest Rates	Maturity Date	Amount of Original Issue	Outstanding July 1, 2013	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2014
2003 Series A	2004	3.50% - 8.00%	2026	12,000,000	$ 225,000	$ -	$ 225,000	$ -
2003 Series B	2005	3.63% - 7.00%	2030	12,000,000	9,330,000	-	400,000	8,930,000
2003 Series C	2007	3.80% - 8.00%	2032	11,000,000	9,730,000	-	345,000	9,385,000
2007 Refunding	2007	3.50% - 5.25%	2023	7,175,000	6,965,000	-	155,000	6,810,000
2012 Refunding	2012	2.00% - 5.00%	2028	23,155,000	21,715,000	-	1,240,000	20,475,000
				$ 65,330,000	$ 47,965,000	$ -	$ 2,365,000	$ 45,600,000

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2014, are as follows:

Year Ended June 30	Principal	Interest	Total
2015	$ 2,505,000	$ 1,804,247	$ 4,309,247
2016	2,650,000	1,709,990	4,359,990
2017	2,730,000	1,596,369	4,326,369
2018	2,920,000	1,475,602	4,395,602
2019	3,165,000	1,350,045	4,515,045
2020-2024	15,150,000	4,809,195	19,959,195
2025-2029	13,660,000	2,121,191	15,781,191
2029-2034	2,820,000	150,916	2,970,916
Totals	$ 45,600,000	$ 15,017,554	$ 60,617,554

B. Capital Appreciation Bonds

The outstanding obligation for the capital appreciation bonds at June 30, 2014, is as follows:

Description	Date Of Issue	Interest Rates	Maturity Date	Amount of Original Issue	Outstanding July 1, 2013	Accreted Interest Current Year	Redeemed Current Year	Outstanding June 30, 2014
1997 Series C	2001	5.81% - 5.89%	2026	$ 999,704	$ 2,070,461	$ 122,864	$ -	$ 2,193,325

The annual requirements to amortize the capital appreciation bonds at June 30, 2014, are as follows:

Year Ended June 30	Principal	Interest	Total
2015	$ -	$ -	$ -
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020-2024	639,569	1,585,431	2,225,000
2025-2029	360,135	1,104,865	1,465,000
Totals	$ 999,704	$ 2,690,296	$ 3,690,000

C. Capitalized Lease Obligations

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

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

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

Year Ended June 30,	Principal	Interest	Total
2015	$ 325,073	$ 70,883	$ 395,956
2016	337,166	58,791	395,957
2017	349,709	46,248	395,957
2018	362,718	33,239	395,957
2019	376,211	19,746	395,957
2020-2024	252,565	5,751	258,316
Totals	$ 2,003,442	$ 234,658	$2,238,100

D. Summary of Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2014, is shown below.

	Balance July 1, 2013	Additions	Deductions	Balance July 1, 2014	Due Within One Year
General Obligation Bonds:					
Current Interest	$ 47,965,000	$ -	$ 2,365,000	$ 45,600,000	$ 2,505,000
Capital Appreciation	2,070,460	122,865	-	2,193,325	-
Capital Leases	2,316,787	-	313,345	2,003,442	325,073
Other Postemployment benefits	1,503,965	471,926	124,766	1,851,125	125,000
Compensated absences	10,317	3,910	-	14,227	14,227
	$ 53,866,529	$ 598,701	$ 2,803,111	$ 51,662,119	$ 2,969,300

7. FUND BALANCES

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

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Funds	Total
Nonspendable:					
Inventory	$ 7,396	$ -	$ -	$ 34,467	$ 41,863
Revolving Cash	5,000	-	-	-	5,000
Total Nonspendable	12,396	-	-	34,467	46,863
Restricted:					
Unspent Categorical Revenues	2,992,309	-	-	-	2,992,309
County School Facilities	-	-	-	2,313,302	2,313,302
Building Fund	-	-	-	1,227,951	1,227,951
Capital Facilities	-	6,813,794	-	-	6,813,794
Food Services	-	-	-	487,535	487,535
Capital Outlay	-	-	-	1,365,077	1,365,077
Total Restricted	2,992,309	6,813,794	-	5,393,865	15,199,968
Assigned:					
Board Reserve	802,572	-	-	-	802,572
Site Based	349,385	-	-	-	349,385
C&I Instructional Materials	830,272	-	-	-	830,272
Brentwood BTSA	9,040	-	-	-	9,040
FECCC BTSA	139,701	-	-	-	139,701
LCFF Supplemental	231,118	-	-	-	231,118
Lottery	1,368,793	-	-	-	1,368,793
Reserve for OPEB	70,028	-	-	-	70,028
Reserve for Non Capital Projects	669,926	-	-	-	669,926
Building Fund	-	-	3,533,471	-	3,533,471
Total Assigned	4,470,835	-	3,533,471	-	8,004,306
Unassigned:					
Reserve for Economic Uncertainties	1,926,175	-	-	-	1,926,175
Unappropriated	4,480,316	-	-	-	4,480,316
Total Unassigned	6,406,491	-	-	-	6,406,491
Total Fund Balances	$13,882,031	$ 6,813,794	$ 3,533,471	$ 5,428,332	$ 29,657,628

8. EMPLOYEE RETIREMENT SYSTEMS

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

A. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary, and Brentwood Union School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442% of annual payroll. The contribution requirements of the plan members are established by the state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2014, 2013, and 2012 were $902,061, $888,553, and $773,850, respectively, and equal 100% of the required contributions for each year.

B. State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8% of their salary and Brentwood Union School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by the state statute. The District's contributions to STRS for the fiscal year ending June 30, 2014, 2013 and 2012 were $2,966,128, $2,700,984, and $2,634,830, respectively, and equal 100% of the required contributions for each year.

9. JOINT VENTURES

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

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

	CCCSIG June 30, 2014	CCSCSDSIA June 30, 2014	SSICCC 06/30/2013*
Total Assets	$ 98,493,454	$ 1,074,275	$ 6,396,688
Total Liabilities	$ 80,533,843	$ 841,230	$ 739,830
Net Position	17,959,611	233,045	5,656,858
Total Liabilities and Net Position	$ 98,493,454	$ 1,074,275	$ 6,396,688
Revenues	$ 45,672,896	$ 3,243,342	$ 14,487,295
Expenditures	42,373,992	3,083,793	13,786,585
Change in Net Position	$ 3,298,904	$ 159,549	$ 700,710

*Latest audited information available

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

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. The District provides retiree health benefits for eligible retired employees. Employees eligible to participate in the Plan are all current employees with at least 20 years of full-time service with the District and are eligible for pension benefits under either the California State Teachers Retirement System (CalSTRS) or California Public Employees Retirement System (CalPERS). The Plan is a single-employer defined benefit health care plan administered by the District which provides contributions towards the purchase of medical insurance to eligible retirees. The Governing Board retains the authority to establish and amend plan benefit provisions. A separate, stand-alone financial report is not issued for the Plan. At June 30, 2014, the plan has 16 retirees receiving benefits.

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

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

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost is calculated based on the annual required contribution (ARC). For fiscal year 2014, the District's annual OPEB cost for the Plan was $471,926. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014, were as follows:

Annual Required Contribution (ARC)	$	497,852
Interest on Net OPEB Obligation		58,162
Adjustment to annual required contribution		(84,088)
Annual OPEB cost		471,926
Contributions made		(124,766)
Change in Net OPEB obligation		347,160
Net OPEB obligation - beginning of year		1,503,965
Net OPEB obligation - end of year	$	1,851,125

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net Ending OPEB Obligation
June 30, 2012	$ 348,308	$ 95,041	27.3%	$ 1,250,926
June 30, 2013	$ 344,156	$ 91,117	26.5%	$ 1,503,965
June 30, 2014	$ 471,926	$ 124,766	26.4%	$ 1,851,125

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

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

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

In the July 1, 2013 actuarial valuation, the liabilities were computed using the projected unit credit method and level dollar amortization over 30 years. The actuarial assumptions utilized a 4% discount rate, the expected long-term rate of return on District assets. The valuation assumes an initial healthcare cost trend rate of 8%, which grades down to an ultimate rate of 5% by the year 2016.

11. COMMITMENTS AND CONTINGENCIES

The District is a defendant in a lawsuit that has arisen in the normal course of business. While damages are alleged in this action, the outcome cannot be predicted with certainty. Sufficient data to arrive at an estimate of the possible loss or range of loss is not available at this time. Accordingly, no provision has been recorded.

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

12. SUBSEQUENT EVENT

The District's management evaluated its June 30, 2014 financial statements for subsequent events through November 25, 2014, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BRENTWOOD UNION SCHOOL DISTRICT

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

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
LCFF sources:				
State apportionment	$ 33,317,328	$ 37,598,110	$ 37,598,109	$ (1)
Local sources	10,805,026	12,014,446	12,014,446	-
Total LCFF	44,122,354	49,612,556	49,612,555	(1)
Federal revenue	2,520,613	2,467,962	2,467,403	(559)
Other state revenues	8,972,846	4,134,092	4,134,092	-
Other local revenues	4,612,594	5,491,061	5,455,673	(35,388)
Total revenues	60,228,407	61,705,671	61,669,723	(35,948)
EXPENDITURES				
Certificated salaries	33,948,645	35,428,109	35,419,380	8,729
Classified salaries	8,230,932	8,600,406	8,590,372	10,034
Employee benefits	9,790,627	10,099,677	10,093,301	6,376
Books and supplies	2,607,723	2,367,597	2,360,249	7,348
Services and other operating expenditures	6,781,368	7,459,022	7,429,272	29,750
Capital outlay	340,000	188,323	186,049	2,274
Other outgo	28,000	225,071	225,071	-
Total expenditures	61,727,295	64,368,205	64,303,694	64,511
Excess (deficiency) of revenues over expenditures	(1,498,888)	(2,662,534)	(2,633,971)	28,563
OTHER FINANCING SOURCES (USES)				
Operating transfers in	(1,498,888)	97,912	97,912	-
Total other financing sources (uses)	(1,498,888)	97,912	97,912	-
Net change in fund balances	(2,997,776)	(2,564,622)	(2,536,059)	28,563
Fund balances, July 1, 2013	16,418,090	16,418,090	16,418,090	-
Fund balances, June 30, 2014	$ 13,420,314	$ 13,853,468	$ 13,882,031	$ 28,563

BRENTWOOD UNION SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS

OTHER POSTEMPLOYMENT BENEFITS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age (a)	Actuarial Value of Assets (b)	Unfunded Liability (UAAL) (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a % of payroll ([a-b]/c)
07/01/09	$ 6,800,485	$ -	$ 6,800,485	0%	$ 40,440,161	16.82%
07/01/11	$ 5,739,191	$ -	$ 5,739,191	0%	$ 38,964,752	14.73%
07/01/13	$ 8,360,874	$ -	$ 8,360,874	0%	$ 44,922,159	18.61%

PURPOSE OF SCHEDULES

A - Statement of revenues, expenditures and changes in fund balance – Budget (Non-GAAP) and Actual – General Fund

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of Funding Progress - Other Postemployment Benefits

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

SUPPLEMENTARY INFORMATION

BRENTWOOD UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

JUNE 30, 2014

	Cafeteria Fund	Building Fund	County School Facilities Fund	Special Reserve For Capital Outlay Fund	Total
ASSETS					
Cash and cash equivalents	$ 315,235	$ (797,326)	$ 2,313,302	$ 4,219	$ 1,835,430
Accounts receivable	187,176	-	-	-	187,176
Investments	-	2,149,310	-	1,360,858	3,510,168
Store inventory	34,467	-	-	-	34,467
Total assets	$ 536,878	$ 1,351,984	$ 2,313,302	$ 1,365,077	$ 5,567,241
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 14,876	$ 124,033	$ -	$ -	$ 138,909
Total Liabilities	14,876	124,033	-	-	138,909
Fund balances					
Nonspendable	34,467	-	-	-	34,467
Restricted	487,535	1,227,951	2,313,302	1,365,077	5,393,865
Fund balances	522,002	1,227,951	2,313,302	1,365,077	5,428,332
Total liabilities and fund balances	$ 536,878	$ 1,351,984	$ 2,313,302	$ 1,365,077	$ 5,567,241

See accompanying notes to supplementary information.

BRENTWOOD UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL NON-MAJOR FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Cafeteria Fund	Building Fund	County School Facilities Fund	Special Reserve For Capital Outlay Fund	Total
REVENUES					
Federal revenue	$ 1,208,199	$ -	$ -	$ -	$ 1,208,199
Other state revenues	92,696	-	-	-	92,696
Other local revenues	698,804	4,928	9,725	3,290	716,747
Total revenues	1,999,699	4,928	9,725	3,290	2,017,642
EXPENDITURES					
Classified salaries	864,616	-	-	-	864,616
Employee benefits	265,144	-	-	-	265,144
Books and supplies	885,439	-	-	-	885,439
Services and other operating expenditures	111,642	1,061,244	-	13	1,172,899
Capital outlay	-	57,597	10,306	-	67,903
Total expenditures	2,126,841	1,118,841	10,306	13	3,256,001
Excess(deficiency) of revenues over expenditures	(127,142)	(1,113,913)	(581)	3,277	(1,238,359)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	42,389	-	42,389
Operating transfers out	(97,912)	-	-	-	(97,912)
Total other financing sources (uses)	(97,912)	-	42,389	-	(55,523)
Net change in fund balances	(225,054)	(1,113,913)	41,808	3,277	(1,293,882)
Fund balances, July 1, 2013	747,056	2,341,864	2,271,494	1,361,800	6,722,214
Fund balances, June 30, 2014	$ 522,002	$ 1,227,951	$ 2,313,302	$ 1,365,077	$ 5,428,332

See accompanying notes to supplementary information.

BRENTWOOD UNION SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Student Body Funds				
Assets:				
Cash on hand and in banks				
J Douglas Adams Middle	$ 68,081	$ 195,791	$ 184,545	$ 79,327
William Bristow Middle	93,801	321,066	297,306	117,562
Edna Hill Middle	77,367	180,538	199,256	58,649
R. Paul Krey Elementary	5,439	46,647	46,260	5,826
Brentwood Elementary	3,128	25,202	26,761	1,569
Garin Elementary	6,192	28,703	30,902	3,993
Pioneer Elementary	9,886	32,674	34,853	7,707
Ron Nunn Elementary	2,328	5,364	3,720	3,972
Total Assets	$ 266,224	$ 835,985	$ 823,603	$ 278,606
Liabilities:				
Accounts Payable				
J. Douglas Adams Middle	$ 775	$ 9,420	$ 775	$ 9,421
William Bristow Middle	30	8,960	30	8,960
Edna Hill Middle	6,826	16,249	6,826	16,248
Brentwood Elementary	-	-	-	-
Garin Elementary	-	715	-	715
Krey Elementary	288	-	288	-
Pioneer Elementary	60	-	60	-
Ron Nunn Elementary	1,235	-	1,235	-
Total	9,214	35,344	9,214	35,344
Due to student groups	$ 257,010	$ 800,640	$ 814,389	$ 243,262
Total Liabilities	$ 266,224	$ 835,985	$ 823,603	$ 278,606

See accompanying notes to supplementary information.

BRENTWOOD UNION SCHOOL DISTRICT

ORGANIZATION

JUNE 30, 2014

Brentwood Union School District was established in 1886 and operates seven elementary schools and three middle schools. There were no changes in the boundaries of the District during the year. The District is a political subdivision of the State of California.

BOARD OF EDUCATION

Name	Office	Term Expires November
Carlos Sanabria	Member	2016
Heather Partida	President	2014
Tobi Laird Benz	Member	2014
Jim Crushing	Member	2016
Emil Geddes	Clerk	2014

ADMINISTRATION

Dr. Dana Eaton
Superintendent

Liz Robbins
Chief Business Official

BRENTWOOD UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Second Period Report	Annual Report
Elementary		
TK-3	3,376	3,379
Fourth through Sixth	2,891	2,890
Seventh through Eighth	1,985	1,984
Special Education	24	24
	8,276	8,276

See the accompanying notes to supplementary information.

BRENTWOOD UNION SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Grade Level	Standard Minutes Requirment	Reduced Minutes Requirement	2013-2014 Actual Minutes	Instructional Days	Status
Kindergarten	36,000	35,000	39,600	180	In compliance
Grade 1	50,400	49,000	50,750	180	In compliance
Grade 2	50,400	49,000	50,750	180	In compliance
Grade 3	50,400	49,000	50,750	180	In compliance
Grade 4	54,000	52,500	55,300	180	In compliance
Grade 5	54,000	52,500	55,300	180	In compliance
Grade 6	54,000	52,500	55,932	180	In compliance
Grade 7	54,000	52,500	55,932	180	In compliance
Grade 8	54,000	52,500	55,932	180	In compliance

See the accompanying notes to supplementary information.

BRENTWOOD UNION SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR FISCAL YEAR ENDED JUNE 30, 2014

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
The District does not operate any charter schools	

See the accompanying notes to supplementary information.

BRENTWOOD UNION SCHOOL DISTRICT

RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

FOR FISCAL YEAR ENDED JUNE 30, 2014

There were no audit adjustments made to any funds of the District.

BRENTWOOD UNION SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education			
Title I, Part A Cluster			
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	$ 452,411
84.010	NCLB: Title 1, Part A, Program Improvement LEA Corrective Action	15005	148,819
	Title I, Part A Cluster		601,230
Special Education Cluster (IDEA)			
84.027	Special Education: IDEA Quality Assurance and Focused Monitoring, Part B, Sec 611	13379	1,281,221
84.173	Special Education: IDEA Preschool Grants	13430	58,098
84.173	Special Education: IDEA Preschool Local Entitlement	13682	142,122
84.027A	Special Education IDEA Mental Health Revenue	14668	94,543
	Special Education Cluster (IDEA)		1,575,984
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	73,208
84.365	NCLB: Title III Limited English Proficiency (LEP) Student Program	10084	151,064
	Total U.S. Department of Education		2,401,486
U.S. Department of Agriculture			
Passed through California Department of Education			
10.555	National School Lunch	13524	989,490
10.553	Basic Breakfast	13525	52,799
10.553	Especially Needy Breakfast	13526	165,910
	Total U.S. Department of Agriculture		1,208,199
U.S. Department of Health and Human Services			
Passed through California Department of Education			
93.778	Department of Health Services: Medi-Cal Billing Option (DHS)	10013	65,917
	Total U.S. Department of Health and Human Services		65,917
	Total Federal Programs		$ 3,675,602

See the accompanying notes to supplementary information.

BRENTWOOD UNION SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

General Fund*	Adopted Budget 2014/2015	Actuals 2013/2014	Actuals 2012/2013	Actuals 2011/2012
Revenues and Other Financial Sources	$ 63,968,142	$ 61,767,635	$ 56,867,788	$ 58,636,956
Expenditures	66,687,145	64,303,694	58,476,655	55,884,082
Total Outgo	66,687,145	64,303,694	58,476,655	55,884,082
Change in Fund Balance	(2,719,003)	(2,536,059)	(1,608,867)	2,752,874
Ending Fund Balance	$ 13,699,087	$ 13,882,031	$ 16,418,090	$ 17,290,989
Available Reserves	$ 10,423,072	$ 10,877,326	$ 15,286,310	$ 13,308,741
Reserve for Economic Uncertainties	$ 2,000,615	$ 1,926,175	$ 2,709,843	$ 1,674,347
Unassigned Fund Balance	$ 2,961,428	$ 4,480,316	$ 7,305,834	$ 9,276,514
Other Available Designations**	$ 5,461,029	$ 4,470,835	$ 5,270,633	$ 2,357,880
Available Reserves as a Percentage of Total Outgo	15.6%	16.9%	26.1%	23.8%

*For financial reporting purposes, the General Fund includes the Special Reserve Funds for Other Than Capital Outlay and Other Postemployment Benefits beginning in 2012/13.

**Other available designations included the following:

1) Board Reserve (1.25%)
2) 2009/10 SBX3 4 Ending Balance (this is cumulative total ending balance resulting from state flexibilty)
3) Lottery Ending Balance (unrestricted, unallocated lottery)
4) Designation for mid-year cuts

All Funds				
Total Long-Term Debt	$ 48,692,819	$ 51,662,119	$ 53,866,529	$ 56,285,560
Actual/Budgeted Daily Attendance at P-2	8,276	8,276	8,197	8,123

The general fund balance, which includes the Special Reserve Funds for Other Than Capital Outlay and Postemployment Benefits, has decreased by $1,392,052 over the past three years. Fiscal year 2014-15 projects a decrease of $2,719,003. For a District this size, the State of California recommends available reserves of at least 3 percent of total general fund expenditures, transfers out, and other uses (total outgo). The District met this requirement.

The District had incurred an operating deficit in two of the past three years and anticipates incurring an operating deficit during the fiscal year 2014-15.

Total long-term liabilities have decreased by $4,623,441 over the past two years.

Average Daily Attendance (ADA) has increased by 153 over the past two years. The 2014-2015 District budget assumed no change in ADA from 2013-2014 P2.

1. PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Average Daily Attendance

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

B. 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 46201 through 46206. Districts must maintain their instructional minutes in accordance with the State's standard requirement as required by Education Code Section 46201(b).

The District participated in the Longer Day incentives and met or exceeded its target funding.

C. Schedule of Expenditures of Federal Awards

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

Noncash assistance in the form of donated commodities was received from the California Department of Education as a pass-through grant from the U.S. Department of Agriculture. The total fair market value of commodities received during the 2013-14 fiscal year was $153,327 and is not included in the schedule of federal expenditures.

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

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

E. 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.

F. Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

OTHER INDEPENDENT AUDITOR'S REPORTS

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education
Brentwood Union School District
Brentwood, California

Report on Compliance for Each State Program

We have audited the compliance of Brentwood Union School District (the "District") with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Education Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2014.

Management's Responsibility

Compliance with the requirements of state laws and regulations is the responsibility of District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit.

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

Description	Audit Guide Procedures	Prodecures Performed
Attendance Reporting	6	Yes
Teacher Certifications and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No, see below
Continuation Education	10	No, see below
Instractional Time for School Districts	10	Yes
Instructional Materials		
General Requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes

Description	Audit Guide Procedures	Procedures Performed
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	No, see below
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No, see below
After Schools Education and Safety Program		
General requirements	4	Yes
After School	5	Yes
Before School	6	No, see below
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance for Charter Schools	8	No, see below
Mode of Instruction for Charter Schools	1	No, see below
Nonclassroom-Based Instruction/Independent Study for Charter Schools	15	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for Charter Schools	3	No, see below
Annual Instructional Minutes - Classroom Based for Charter Schools	4	No, see below
Charter School Facility Grant Program	1	No, see below

We did not perform any procedures related to Early Retirement Incentive Program and Juvenile Court Schools because the District did not participate in these programs.

We did not perform any procedures related to Independent Study and Continuation Education because these programs were below the materiality threshold for testing.

We did not perform any procedures related to Before School requirements for the After School Education and Safety because the District did not offer this program.

We did not perform any procedures related to California Clean Energy Jobs Act because there were no expenditures in the current year.

We did not perform any procedures related to Contemporaneous Records of Attendance for Charter Schools, Mode of Instruction for Charter Schools, Nonclassroom-Based Instruction/Independent Study for Charter Schools, Determination of Funding for Nonclassroom-Based Instruction for Charter Schools, and Annual Instructional Minutes-Classroom-Based for Charter Schools, Charter School Facility Grant Program because the District did not have any charter schools.

Opinion on Compliance with State Laws and Regulations

In our opinion, Brentwood Union School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2014.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 25, 2014

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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

INDEPENDENT AUDITOR'S REPORT

Board of Education
Brentwood Union School District
Brentwood, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brentwood Union School District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free from 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*.

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.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 25, 2014

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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

INDEPENDENT AUDITOR'S REPORT

Board of Education
Brentwood Union School District
Brentwood, California

Report on Compliance for Each Major Federal Program

We have audited Brentwood Union School District's (the "District") 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 the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 the 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 the 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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2014.

Internal Control Over Compliance

Management of the 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 the 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 the District's internal control over compliance.

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We have issued our report thereon dated November 25, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 25, 2014

FINDINGS AND RECOMMENDATION

BRENTWOOD UNION SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section I – Summary of Audit Results

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	X No	
Significant deficiency(ies) identified?	_____ Yes	X None reported	
Noncompliance material to financial statements noted?	_____ Yes	X No	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ Yes	X No	
Significant deficiency(ies) identified?	_____ Yes	X None reported	
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with OMB circular A-133 Section 510 (a)	_____ Yes	X No	

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173, 84.027A	Special Ed- IDEA Cluster
10.555, 10.553	Child Nutrition Cluster

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

State Awards

Internal control over state programs:			
Material weakness(es) identified?	_____ Yes	X No	
Significant deficiency(ies) identified?	_____ Yes	X None reported	
Type of auditor's report issued on compliance for state programs**:**	Unmodified		

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – State Award Findings and Questioned Costs

No matters were reported.

BRENTWOOD UNION SCHOOL DISTRICT

STATUS OF PRIOR YEAR RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Recommendation	Current Status	Explanation If Not Implemented
No matters were reported.		

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APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Series 2014 Refunding Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series 2014 Refunding Bonds in substantially the following form:

[Closing Date]

Brentwood Union School District
Brentwood, California

Brentwood Union School District
(County of Contra Costa, California)
General Obligation Refunding Bonds, Series 2014
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Brentwood Union School District (the "District"), which is located in the County of Contra Costa (the "County"), in connection with the issuance by the District of $15,575,000 aggregate principal amount of Brentwood Union School District (County of Contra Costa, California) General Obligation Refunding Bonds, Series 2014 (the "Bonds"), pursuant to a resolution of the Board of Education of the District adopted on November 12, 2014 (the "Resolution"). Capitalized undefined terms used herein have the meanings ascribed thereto in the Resolution.

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

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

to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated December 3, 2014, or other offering material relating to the Bonds and express no opinion with respect thereto.

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

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

2. The Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.

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

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

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Brentwood Union School District (the "District") in connection with the issuance of $15,575,000 aggregate principal amount of Brentwood Union School District (County of Marin, California) General Obligation Refunding Bonds, Series 2014 (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on November 12, 2014 (the "Resolution"). The District covenants and agrees as follows:

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

Section 2. 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, the following capitalized terms shall have the following meanings:

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

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

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

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

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

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

"Official Statement" shall mean the Official Statement, dated December 3, 2014 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

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

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

Section 3. Provision of Annual Reports. (a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which due

date shall be April 1 of each year, so long as the fiscal year ends on June 30), commencing with the report for the 2014-2015 Fiscal Year (which is due not later than April 1, 2016), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

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

(c) The Dissemination Agent shall:

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

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

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

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

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

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

(ii) The District's outstanding debt.

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

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

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

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

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

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

(i) principal and interest payment delinquencies;

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

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

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

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

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; or

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

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

orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

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

(ii) modifications to rights of Bond Holders;

(iii) optional, unscheduled or contingent Bond calls;

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

(v) non-payment related defaults;

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action

may be instituted only in Superior Court of the State of California in and for the County of Contra Costa or in U.S. District Court in or nearest to the County of Contra Costa. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

Dated: December 18, 2014

BRENTWOOD UNION SCHOOL DISTRICT

By: _____

EXHIBIT A

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

Name of Issuer:	BRENTWOOD UNION SCHOOL DISTRICT
Name of Issue:	Brentwood Union School District (County of Marin, California) General Obligation Refunding Bonds, Series 2014
Date of Issuance:	December 18, 2014

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated December 18, 2014. [The District anticipates that the Annual Report will be filed by _____.]

Dated:_____

BRENTWOOD UNION SCHOOL DISTRICT

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APPENDIX E

COUNTY OF CONTRA COSTA INVESTMENT POLICY AND SUMMARY OF POOLED INVESTMENT FUND

In accordance with Education Code Section 41001, substantially all District operating funds are required to be held by the Treasurer-Tax Collector of the County (the "County Treasurer"). The following information has been provided by the County Treasurer. The District has not independently verified this information and takes no responsibility for the accuracy or completeness thereof. Further information may be obtained from the County Treasurer.

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CONTRA COSTA COUNTY

TREASURER'S

ANNUAL INVESTMENT POLICY

FISCAL YEAR 2014-2015

APPROVED BY THE BOARD OF SUPERVISORS

JUNE 2014

The Contra Costa County Treasurer will annually present to both the Board of Supervisors (Board) and the Treasury Oversight Committee (Committee) a statement of investment policy, which the Board shall review and approve at a public meeting. Any changes in the policy shall also be reviewed and approved by the Board at a public meeting (Gov't Code §53646(a)(1)).

OFFICE OF COUNTY TREASURER-TAX COLLECTOR
625 COURTS STREET, ROOM 100
MARTINEZ, CALIFORNIA 94553

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CONTRA COSTA COUNTY

TREASURER'S ANNUAL INVESTMENT POLICY

1.0 PURPOSE

The purpose of this Investment Policy (Policy) is to establish cash management and investment guidelines of surplus funds entrusted to the care of the Contra Costa County Treasurer's Office (Treasurer's Office) in accordance with applicable sections of California Government Code. All portfolio activities will be judged by the standards of the Policy and its ranking of investment objectives.

2.0 SCOPE

This Policy applies to all funds over which the Treasurer's Office has been granted fiduciary responsibility and direct control for their management.

3.0 PARTICIPANTS

This Policy restricts deposits to those agencies mandated by California Government Code as treasury deposits. However, subject to the consent of the Treasurer's Office and in accordance with section 53684, exemptions may be granted to non-mandatory depositing agencies, if it is determined that the additional deposit provides a benefit to the investment pool as a whole while not creating unmanageable liquidity risk.

4.0 IMPLEMENTATION

In order to provide direction to those responsible for management of surplus funds, the County Treasurer has established this Policy and presented it to the Treasury Oversight Committee and the Board of Supervisors, and has made available the report to the legislative body of local agencies that participates in the County Treasurer's investment program.

The Policy explains investable funds; authorized instruments; credit quality required; maximum maturities and concentrations; collateral requirements; qualifications of broker-dealers and financial institutions doing business with, or on behalf of, the County; limits on gifts and honoraria; the reporting requirements; the Treasury Oversight Committee; the manner of appropriating costs; and the criteria to request withdrawal of funds.

5.0 OBJECTIVES

Gov't Code §53600.5: When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the primary objective of a trustee shall be to safeguard the principal of the funds under its control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under its controls.

5.1 Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and market risk.

5.1.a *Credit Risk*

The Treasurer will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

1. Limiting investments to the safest type of securities

2. Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Treasurer's Office will do business
3. Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

5.1.b *Market Risk*

The Treasurer's Office will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

1. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
2. Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

5.2 Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

5.3 Yield: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities may be sold prior to maturity when deemed prudent and necessary. Reasons of selling include but not limited to:

1. **A security with declining credit may be sold early to minimize loss of principal.**
2. **A security swap would improve the quality, yield, or target duration in the portfolio.**
3. **Liquidity needs of the portfolio require that the security be sold.**
4. **Portfolio rebalancing would bring the portfolio back into compliance.**

Investments will be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

5.4 Public Trust: All investments will be in conformance with state law and county ordinances and policies. The investment of public funds is a task that must maintain the public trust.

6.0 GENERAL STRATEGY

6.1 Buy and Hold: The Treasurer will generally use the passive investment strategy known as BUY AND HOLD whereas securities are purchased with the intent of holding them to maturity. Interest income and the reinvestment of interest income usually are the only sources of return in the portfolio.

The investment program will focus on purchasing securities that will limit or reduce the potential default risk and ensure the reliability of cash flows from interest income. Generally, purchases will be laddered throughout the portfolio in order to minimize the number and cost of investment transactions.

6.2 Directed Investment: Local agencies may direct the investment, exchange, liquidation and reinvestment of their assets, but must meet the provisions of the investment objectives of this policy. The withdrawal of funds in the Treasury shall coincide with investment maturities or authorized sales of securities by the local agency's legislative or governing body.

7.0 STANDARD OF CARE

The following policies are designed in accordance with Government Code to provide transparency to the investment program while enhancing portfolio controls:

7.1 Prudent Investor Standard: "Governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part to an overall strategy, investments may be acquired as authorized by law." (Gov't Code §53600.3.1)

7.2 Limits on Honoraria, Gifts, and Gratuities

In accordance with California Government Code Section 27133(d), this Policy establishes limits for the Director of Finance; individuals responsible for management of the portfolios; and members of the Investment Group and Review Group who direct individual investment decisions, select individual investment advisors and broker/dealers, and conduct day-to-day investment trading activity. The limits also apply to members of the Oversight Committee. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of $50 in a calendar year from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the designated filing official and complete the appropriate State forms.

No individual may receive aggregate gifts, honoraria, and gratuities in a calendar year in excess of the amount specified in Section 18940.2(a) of Title 2, Division 6 of the California Code of Regulations. This limitation is $440 for the period January 1, 2013, to December 31, 2014. Any violation must be reported to the State Fair Political Practices Commission.

Please refer to the Contra Costa County Treasurer-Tax Collector's Conflict of Interest Code for further explanation of the prohibited activities, and their enforcements and exceptions.

7.3 Delegation of Authority

7.4.a Subject to Section 53607, the board of supervisors may, by ordinance, delegate to the county treasurer the authority to invest or reinvest the funds of the county and the funds of other depositors in the county treasury, pursuant to Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5. The county treasurer shall thereafter assume full responsibility for those transactions until the board of supervisors either revokes its delegation of authority, by ordinance, or decides not to renew the annual delegation, as provided in Section 53607 (Gov't Code §27000.1).

7.4.b The authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or

expires, and shall make a monthly report of those transactions to the legislative body. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year (Gov't Code §53607).

7.4.c Responsibility for the operation of the investment program is hereby delegated to the County Treasurer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the County Treasurer.

7.5 Treasury Oversight Committee: In compliance with a Board Order of the Contra Costa County Board of Supervisors, the County Contra Costa County Treasury Oversight Committee was established in November 6 of 1995. The intent of the Committee is to allow local agencies, including school districts, as well as the public, to participate in reviewing the policies that guide the investment of public funds. The mandate for the existence of the Committee was suspended in 2004 by the State of California; however, the Committee serves an important function and the Treasurer's Office has elected to continue the program.

7.5.a The Committee shall annually review and monitor the County's Investment Policy.

7.5.b The Committee shall cause an annual audit to determine the County Treasurer's compliance with the Investment Policy and all investment funds in the county Treasury.

8.0 SAFEKEEPING AND CUSTODY

8.1 Delivery vs. Payment: All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the County Treasurer's safekeeping institution prior to the release of funds.

8.2 Third-party Safekeeping: Securities will be held by an independent third-party safekeeping institution selected by the County Treasurer. All securities will be evidenced by safekeeping receipts in the County's name or in a name designated by the County Treasurer. The safekeeping institution shall annually provide a copy of its most recent report on internal controls - Service Organization Control Reports (formerly 70, or SAS 70) prepared in accordance with the Statement on Standards for Attestation Engagements (SSAE) No. 16 (effective June 15, 2011.)

8.2.a A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered or non-registered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisors, consultants or managers using the agency's funds, by book entry, physical delivery or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book-entry account may be used for book-entry delivery. For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term of remaining maturity at the time of

the investment, no investment shall be made in any security other than a security underlying a repurchase or reverse repurchase agreement authorized by this section.

8.2.b In compliance with this section, the securities of Contra Costa County and its agencies shall be in safekeeping at The Bank of New York Trust Company, N. A., a counterparty bank's trust department or as defined in the debt indenture and contract.

8.3 Internal Controls: The County Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Treasurer are protected from loss, theft or misuse. Specifics for the internal controls shall be documented in an investment procedures manual that shall be reviewed and updated periodically by the County Treasurer.

The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

9.0 AUTHORIZED BROKERS/DEALERS AND FINANCIAL INSTITUTIONS

9.1 All transactions initiated on behalf of the Pooled Investment Fund and Contra Costa County shall be executed only through one of the following:

1. Government security dealers reporting as primary dealers to the Market Reports Division of the Federal Reserve Bank of New York;
2. Banks and financial institutions that directly issue their own securities which have been placed on the Approved List of Broker/Dealers and Financial Institutions;
3. Brokers/dealers in the State of California approved by the County Treasurer based on the reputation and expertise of the company and individuals employed.

Broker/dealers and financial institutions which have exceeded the political contribution limits as contained in Rule G-37 of the Municipal Securities Rulemaking Board within a four year period to the County Treasurer or an member of the governing board of a local agency or any candidate for those offices, are prohibited from the Approval List of Broker/Dealers and Financial Institutions.

9.2 Qualifications: All financial institutions and broker/dealers who desire to become qualified for investment transactions must complete Contra Costa County Treasurer's Office Broker/Dealer Due Diligence Questionnaire which can be obtained at www.cctax.us. An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Treasurer's Office.

9.3 List of Approved Financial Institutions, Security Brokers and Dealers
A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness and qualifications stated in section 9.2. However, the County Treasury will not be limited to the financial institutions and brokers/dealers on the list. Others will be included as long as conditions for authorized financial institutions and brokers/dealers set forth in this Policy are met. Additionally, deletions and additions are based on the maintenance of required credit quality as rated by a nationally recognized statistical-rating organization (NRSRO) or reliable financial sources.

10.0 SUITABLE AND AUTHORIZED INVESTMENTS

10.1 Authorized Investment Types: (Gov't Code §53601 et seq.) The legislative body of a local agency having moneys in a sinking fund or moneys in its treasury not required for the immediate

needs of the local agency may invest any portion of the moneys that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered, or nonregistered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisers, consultants, or managers using the agency's funds, by book entry, physical delivery, or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery.

For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment:

10.1.a **Bonds issued by the local agencies**, including bonds payable solely out of the revenues from a revenue-producing property, owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

10.1.b **United States Treasury notes, bonds, bills or certificates of indebtedness**, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

10.1.c **Registered state warrants or treasury notes or bonds of this state**, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency or authority of the state.

10.1.d **Registered treasury notes or bonds of any of the other 49 states** in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

10.1.e **Bonds, notes, warrants or other evidences of indebtedness of any local agency within this state**, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the local agency, or by a department, board, agency or authority of the local agency.

10.1.f **Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments**, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

10.1.g **Bankers acceptances otherwise known as bills of exchange or time drafts** drawn on and accepted by a commercial bank. Purchases of banker’s acceptances may not exceed 180 days’ maturity or 40 percent of the agency’s money that may be invested pursuant to this section. However, no more than 30 percent of the agency’s money may be invested in the banker’s acceptances of any one commercial bank pursuant to this section. This subdivision does not preclude a municipal utility district from investing any

money in its treasury in any manner authorized by the Municipal Utility District Act (Division 6, commencing with Section 11501, of the Public Utilities Code).

10.1.h **Commercial paper** of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

1. The entity meets the following criteria:

A. Is organized and operating in the United States as a general corporation.

B. Has total assets in excess of five hundred million dollars ($500,000,000).

C. Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization (NRSRO).

2. The entity meets the following criteria:

A. Is organized within the United States as a special purpose corporation, trust, or limited liability company.

B. Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.

C. Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO).

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their moneys in eligible commercial paper. Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635:

i. Not more than 40 percent of the local agency's money may be invested in eligible commercial paper.

ii. Not more than 10 percent of the total assets of the investments held by a local agency may be invested in any one issuer's commercial paper.

10.1.a **Negotiable certificates of deposit** issued by a nationally- or state-chartered bank or a savings association or federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the agency's money that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposits do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the money are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or any person with investment decision making authority in the administrative office, manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

10.1.b **Repurchase and reverse repurchase agreements**

1. Investments in ***repurchase agreements*** or ***reverse repurchase agreements*** of any securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.

2. Investments in repurchase agreements may be made on any investment authorized in this section when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.

3. Reverse repurchase agreements or securities lending agreements may be utilized only when all of the following conditions are met:

   A. The security to be sold using a reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale.

   B. The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio.

   C. The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

   D. Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty using a reverse repurchase agreement or securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement or securities lending agreement, unless the reverse repurchase agreement or securities lending agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

4. Prior approval of the governing body; only with primary dealers:

   A. Investments in reverse repurchase agreements, securities lending agreements, or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security may be made only upon prior approval of the governing body of the local agency and shall be made only with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.

   B. For purposes of this policy, "significant banking relationship" means any of the following activities of a bank:

      i. Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, warrants, notes, or other evidence of indebtedness.

      ii. Financing of a local agency's activities.

iii. Acceptance of a local agency's securities or funds as deposits.

5. Definitions and terms of repos, securities and securities lending:

A. "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.

B. "Securities," for purposes of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.

C. "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.

D. "Securities lending agreement" means an agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

E. For purposes of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods.

F. For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

10.1.c Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated "A" or better by an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

10.1.d Shares of beneficial interest

1. Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities

underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily.

2. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (l5 U.S.C. Sec. 80a-1 et seq.).

3. If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:

A. Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.

B. Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and with assets under management in excess of five hundred million dollars ($500,000,000).

4. If investment is in shares issued pursuant to paragraph (2), the company shall have met the following criteria:

A. Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

B. Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and with assets under management in excess of five hundred million dollars ($500,000,000).

5. The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and shall not exceed 20 percent of the agency's money that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

10.1.e **Moneys held by a trustee or fiscal agent** and pledged to the payment of security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are not specific statutory provision, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

10.1.f **Notes, bonds, or other obligations that are at all times secured by a valid first-priority security interest** in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

10.1.g **Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond** of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section.

10.1.h **Shares of beneficial interest issued by a joint power authority** organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (n), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing shares shall have retained an investment adviser that meets all of the following criteria:

1. The adviser is registered or exempt from registration with the Securities and Exchange Commission.
2. The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (n) inclusive.
3. The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

11.0 RESTRICTIONS AND PROHIBITIONS

11.1 Restrictions set by the Treasurer

11.1.a All investments purchased by the Treasurer's Office shall be of investment grade. The minimum credit rating of purchased investments shall be as defined by Government Code 53600 et. seq.

11.1.b All legal securities issued by a tobacco-related company are prohibited. A tobacco-related company is defined as 1) an entity that makes smoking products from tobacco used in cigarettes, cigars and/or snuff, or for smoking in pipes or 2) a company that has total revenues of 15 percent or more from the sale of such tobacco products. The tobacco-related issuers restricted from any investment are Alliance One, Altria Group, Inc., Auri Inc., British American Tobacco PLC, Imperial Tobacco Group PLC, Kirin International Holding Inc., Lorillard, Philip Morris International, Reynolds American, Inc., Schweitzer-Mauduit International Inc., Smokefree Innotec Inc., Star Scientific Inc., Universal Corp., and Vector Group, Ltd. Annually the Treasury staff will update the list of tobacco-related companies.

11.1.c Financial futures or financial option contracts will each be approved on a per trade basis by the County Treasurer.

11.1.d Reverse repurchase agreements will be used strictly for the purpose of supplementing income with a limit of 10 percent of the total portfolio with prior approval of the Treasurer.

11.1.e SBA loans require prior approval of the Treasurer in every transaction.

11.1.f Securities purchased through brokers will be held in safekeeping at The Bank of New York Trust Company, N.A. or as designated by the specific contract(s) for government securities and tri-party repurchase agreements.

11.1.g Swaps and Trades will each be approved on a per-trade basis by Treasurer or Assistant Treasurer.

11.1.h Bank CDs or non-negotiable CDs will be collateralized at 110 percent by government securities or 150 percent by current mortgages. There will be no waiver of the first $100,000 collateral except by special arrangement with the Treasurer.

11.2 Prohibitions by Government Code (§53601.6)

11.2.a A local agency shall not invest any funds pursuant to this Article or pursuant to Article 2 (commencing with Section 53630) in inverse floaters, range notes or interest-only strips that are derived from a pool of mortgages.

11.2.b A local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630) in any security that could result in zero interest accrual if held to maturity. However, a local agency may hold prohibited instruments until their maturity dates. The limitation in this subdivision shall not apply to local agency investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1,et seq.) that are authorized for investment pursuant to subdivision (l) of Section 53601.

12.0 INVESTMENT PARAMETERS

12.1 Diversification: Investments shall be diversified so as to minimize the risk of loss and to maximize the rate of return by:

1. Limiting investment to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
2. Limiting investment in securities that have higher credit risks,
3. Investing in securities with varying maturities, and
4. Continuously investing a portion of the portfolio in readily available funds such as investment pools, money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

12.2 Maximum Maturities: To the extent possible, the County Treasurer shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances. The Treasurer shall adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as LAIF, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

12.3 Exception to Maximum Maturity: In accordance with Government Code §53601 the County Treasurer retains the right to petition the Board of Supervisors for approval to invest in securities with a final maturity in excess of five years. The Board of Supervisors adoption of any resolution allowing maturities beyond five years shall be considered an allowed modification to this policy and any investments made in accordance with the modification shall be allowable under this policy.

12.4 Investment Criteria[1]: All limitations set forth in this Policy are applicable only at the time of purchase. The County Treasurer has the full discretion to rebalance the portfolio when it is out of compliance owing to various reasons, such as market fluctuation.

INVESTMENT TYPE	MAXIMUM % of PORTFOLIO	MAXIMUM MATURITY	MAXIMUM % of ISSUE	OTHER RESTRICTIONS
Bonds issued by local agencies, §53601 (a)	100%	5 years	100%	
U.S. Treasury Obligations, §53601 (b)	100%	5 years	100%	
Registered State Warrants, and CA Treasury Notes and bonds, §53601 (c)	100%	5 years	100%	
Registered Treasury Notes or Bonds of any of the other 49 state in addition to CA, §53601 (d)	100%	5 years	100%	
Bonds and Notes issued by other local agencies in California, §53601 (e)	100%	5 years	100%	
Obligations of U.S. Agencies or government sponsored enterprises, §53601 (f) U.S. Agencies Callables	100% 100%	5 years 5 years	100% 25%	
Bankers Acceptances), §53601 (g) *Domestic: ($5B min. assets) *Foreign: ($5B min. assets)	40% 40%	180 days 180 days	30% Aggregate 5% Aggregate	
Commercial paper, §53601 (h) and §53635 (a)	40%	270 days or less	10% Aggregate	No more than 10 % of the local agency's money may be invested in the outstanding commercial paper of any single issuer.
Negotiable Certificates of Deposit ($5 billion minimum assets), §53601 (i)	30%	5 years	10% Aggregate	
Repurchase Agreements secured by U.S. Treasury or agency obligation (102% collateral), §53601 (j)	100%	1 year	See limitations for Treasuries and Agencies above	Generally limited to Wells Fargo Bank, Bank of America or other institutions with whom the County treasury has executed tri-party agreements. Collateral will be held by a third party to the transaction that may include the trust department of particular banks. Collateral will be only securities that comply with Government Code 53601.
Reverse Repurchase Agreements and Securities Lending Agreements, §53601 (j)	20%	92 days	See limitations for Treasuries and Agencies above	
Corporate bonds, Medium Term Notes & Covered, §53601 (k)	30%	5 years	5% Aggregate	
Shares of beneficial interest issued by diversified mgt. companies §53601 (l)	20%	N/A	10% Aggregate	
Moneys held by a trustee or fiscal agent, §53601 (m)	20%	N/A		
Collateralized Notes, Bonds, Time Deposits, or other obligations,	15%	5 years	5% Aggregate	Collateralized by the eligible securities at a percentage specified in Government Code

[1] The rating requirement for each investment type is referenced in the relevant sections of California Government Code.

INVESTMENT TYPE	MAXIMUM % of PORTFOLIO	MAXIMUM MATURITY	MAXIMUM % of ISSUE	OTHER RESTRICTIONS
§53601 (n)				53652.
Mrtg Backed Securities/CMO's: Asset Backed Securities §53601 (o)	20% 20%	5 Years 5 Years	5% Aggregate	No Inverse Floaters No Range Notes No Interest only strips derived from a pool of mortgages
Joint Powers Authority, CalTRUST, §53601 (P)	As limited by CalTRUST	N/A	As limited by CalTRUST	
Local Agency Investment Fund (LAIF), §16429.1	As Limited by LAIF	N/A	As limited by LAIF	

13.0 CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF)

13.1 General Information (Gov't Code §16305.9).

13.1.a All money in the Local Agency Investment Fund shall be held in trust in the custody of the State Treasurer.

13.1.b All money in the Local Agency Investment Fund is nonstate money. That money shall be held in a trust account or accounts. The Controller shall be responsible for maintaining those accounts to record the Treasurer's accountability, and shall maintain a separate account for each trust deposit in the Local Agency Investment Fund.

13.1.c That money shall be subject to audit by the Department of Finance and to cash count as provided for in Sections 13297, 13298, and 13299. It may be withdrawn only upon the order of the depositing entity or its disbursing officers. The system that the Director of Finance has established for the handling, receiving, holding, and disbursing of state agency money shall also be used for the money in the Local Agency Investment Fund.

13.1.d All money in the Local Agency Investment Fund shall be deposited, invested, and reinvested in the same manner and to the same extent as if it were state money in the State Treasury.

13.2 Investment and Distribution of Deposits (§16429.1).

13.2.a There is in trust in the custody of the Treasurer the Local Agency Investment Fund, which fund is hereby created. The Controller shall maintain a separate account for each governmental unit having deposits in this fund.

13.2.b Notwithstanding any other provisions of law, a local governmental official, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.

13.2.c Notwithstanding any other provisions of law, an officer of any nonprofit corporation whose membership is confined to public agencies or public officials, or an officer of a qualified quasi-governmental agency, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.

13.2.d Notwithstanding any other provision of law or of this section, a local agency, with the approval of its governing body, may deposit in the Local Agency Investment Fund proceeds of the issuance of bonds, notes, certificates of participation, or other evidences of indebtedness of the agency pending expenditure of the proceeds for

the authorized purpose of their issuance. In connection with these deposits of proceeds, the Local Agency Investment Fund is authorized to receive and disburse moneys, and to provide information, directly with or to an authorized officer of a trustee or fiscal agency engaged by the local agency, the Local Agency Investment Fund is authorized to hold investments in the name and for the account of that trustee or fiscal agent, and the Controller shall maintain a separate account for each deposit of proceeds.

13.2.e The local governmental unit, the nonprofit corporation, or the quasi-governmental agency has the exclusive determination of the length of time its money will be on deposit with the Treasurer.

13.2.f The trustee or fiscal agent of the local governmental unit has the exclusive determination of the length of time proceeds from the issuance of bonds will be on deposit with the Treasurer.

13.2.g The Local Investment Advisory Board shall determine those quasi-governmental agencies which qualify to participate in the Local Agency Investment Fund.

13.2.h The Treasurer may refuse to accept deposits into the fund if, in the judgment of the Treasurer, the deposit would adversely affect the state's portfolio.

13.2.i The Treasurer may invest the money of the fund in securities prescribed in Section 16430. The Treasurer may elect to have the money of the fund invested through the Surplus Money Investment Fund as provided in Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2.

13.2.j Money in the fund shall be invested to achieve the objective of the fund, that is to realize the maximum return consistent with safe and prudent treasury management.

13.2.k All instruments of title of all investments of the fund shall remain in the Treasurer's vault or be held in safekeeping under control of the Treasurer in any federal reserve bank, or any branch thereof, or the Federal Home Loan Bank of San Francisco, with any trust company, or the trust department of any state or national bank.

13.2.l Immediately at the conclusion of each calendar quarter, all interest earned and other increment derived from investments shall be distributed by the Controller to the contributing governmental units or trustees or fiscal agents, nonprofit corporations, and quasi-governmental agencies in amounts directly proportionate to the respective amounts deposited in the Local Agency Investment fund and the length of time the amounts remained therein. An amount equal to the reasonable costs incurred in carrying out the provisions of this section, not to exceed a maximum of one-half of one percent of the earnings of this fund, shall be deducted from the earnings prior to distribution. The amount of this deduction shall be credited as reimbursements to the state agencies having incurred costs in carrying out the provisions of this section.

13.2.m The Treasurer shall prepare for distribution a monthly report of investments made during the preceding month.

14.0 PORTFOLIO MANAGEMENT ACTIVITY

14.1 Passive Portfolio Management:

(See Section 6.0., General Strategy)

14.2 Competitive Bidding:

Investments will be purchased in the most cost effective and efficient manner by using a competitive bidding process for the purchase of securities. Competitive bidding is required from a pre-approved list of broker/dealers on all investment transactions except for new issue securities.

14.3 Reviewing and Monitoring of the Portfolio:

Monthly reports will review portfolio investments to ensure they are kept track of in a timely manner. The reports will also monitor the County Treasurer's investment practices and the results of such practices.

14.4 Portfolio Adjustments:

Certain actions may be taken if the portfolio becomes out of compliance. For instance, should a concentration limitation be exceeded due to an incident such as a fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses; however, the County Treasurer may choose to rebalance the portfolio earlier to bring it back into compliance if the portfolio will not suffer any losses for selling the investment prior to maturity.

14.5 Performance Standards:

The investment portfolio will be managed in accordance with the parameters specified within this Policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis.

15.0 REPORTING

15.1 Methodology: The County Treasurer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner which will allow the County Treasurer to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report shall be provided to the Chief Administrative Officer, the County Auditor, the Board of Supervisors, Treasury Oversight Committee and any pool participants [Government Code 27133(e), and 53646(b)]. The report will include the following:

1. The type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments and moneys held by the County Treasurer
2. A description of any of the local agency's funds, investments, or programs that are under the management of contracted parties, including lending programs.
3. A current market value as of the date of the report of all securities held by the local agency, and under management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund, and the source of this same valuation.
4. A statement that the portfolio is in compliance with the investment policy, or the manner in which the portfolio is not in compliance.
5. A statement denoting the ability of the County Treasurer to meet its pool's expenditure requirements for the next six months, or an explanation as to why sufficient money shall, or may, not be available.

6. Listing of individual securities by type and maturity date held at the end of the reporting period.

   A. PLEDGE REPORT: Any securities that are pledged or loaned for any purpose shall be reported in the Quarterly Investment Report. The transaction detail will be provided, including purpose, beginning and termination dates and all parties to the contract. The security descriptions as to type, name, maturity date, coupon rate, CUSIP and other material information will be included.

   B. REVERSE REPURCHASE AGREEMENTS REPORT: All reverse repurchase agreements entered into, whether active or inactive by the end of each quarter, shall be reported in the Treasurer's Quarterly Investment Report.

7. Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity.

8. Average maturity and duration of portfolio on investments as well as the yield to maturity of the portfolio as compared to applicable benchmarks.

9. Percentage of the total portfolio which each type of investment represents.

10. Whatever additional information or data may be required by the legislative body of the local agency.

15.2 **Marking to Market:** The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed on a regular basis.

16.0 COMPENSATION

In accordance with Government Code §§27013 and 53684, the County Treasurer will charge all pool participants for administrative and overhead costs. Costs include, but are not limited to, employee salaries and benefits, portfolio management, bank and custodial fees, software maintenance fees and other indirect costs incurred from handling and managing funds. In addition, when applicable, the costs associated with the Treasury Oversight provisions of Government Code §§ 27130-27137 shall be included as administrative costs. Costs will be deducted from interest earnings on the pool prior to apportioning and payment of interest. The County Treasurer shall annually prepare a proposed budget providing a detailed itemization of all estimated costs which comprise the administrative fee charged in accordance with Government Code §27013. The administrative fee will be subject to change. Fees will be deducted from interest earnings.

16.1 **Deduction of Costs:** The County Treasurer deducts actual costs and makes any adjustments from the interest earning and apportions the remaining earnings to all participants based on the positive average daily balance.

17.0 CALCULATING AND APPORTIONING POOL EARNINGS

The Investment Pool Fund is comprised of monies from multiple units of the County, agencies, school districts and special districts. Each entity has unique cash flow demands, which dictate the type of investments the Treasurer's Office may purchase. To ensure parity among the pool members when apportioning interest earnings, the following procedures have been developed:

1. Interest is apportioned on at least a quarterly basis in accordance with Government Code §53684.

2. Interest is apportioned to pool participants based on the participant's average daily fund balance and the total average daily balance of deposits in the investment pool.

3. Interest is calculated on an accrual basis for all investments in the County Treasurer's investment pool and reported to the Auditor-Controller for distribution into the funds of the participants.

4. Specific fee schedules are as follow:

   A. **Regular and Routine Investments**[2]

      $20 per investment transaction; i.e., $20 at placement and $20 at maturity.

      .00333 of interest income; i.e., $3.33 per $1,000 of interest income.

      The above is charged quarterly by journal entry.

   B. **Special Reports and Research:** Actual staff time and materials.

   C. **Special Bank Transactions:** Actual bank fee schedule, staff time and materials.

5. Negative average daily fund balance will be charged interest at the rate of interest that is being apportioned.

18.0 DEPOSITS AND WITHDRAWALS IN THE TREASURY

18.1 Deposit by Voluntary Participants

Following are the terms and conditions for deposit of funds for investment purposes by voluntary participants, i.e. entities that are not legally required to deposit their funds in the County Treasury.

18.1.a Resolution by the County Board of Supervisors authorizing the acceptance of outside participants by the County Treasury.

18.1.b Resolution by the legislative or governing body of the local agency (voluntary participant) authorizing the investment of funds pursuant to Government Code 53684.

18.1.c Treasury investments will be directed transactions. For each transaction, the local agency (voluntary participant) must indicate the fund source, the amount to be invested and the duration of the investment.

18.2 Withdrawal Request

The Treasurer's Office has established the Withdrawal of Funds Policy for all Treasury Investment Pool participants who seek to withdraw funds from the County Treasury Investment Pool for various purposes. In accordance with California State Government Code Section 27136, all participants having funds on deposit in the Pool and seeking to withdraw their funds, shall first submit a formal written request to the County Treasurer. The County Treasurer shall evaluate the withdrawal proposals of all Pool participants upon receipt of the written requests. The evaluation process may take up to 30 days. The County Treasurer reserves the right to reject any request for withdrawal if it is in the Treasurer's opinion after thorough evaluation, that the withdrawal will violate applicable laws and/or governing documents, compromise Treasurer's fiduciary responsibility, adversely impact the stability of the Pool, or harm the interests of any Pool Participant. Such rejection shall prevent the withdrawal of the funds.

Typically, participants make withdrawals for the following two reasons: a) regular operations and b) investing or depositing funds outside the Pool in accordance with California State Government Code Section 27136 (a). The County Treasurer seeks to honor all written

[2] Applies to directed investments as described in Section 6.2 of the Policy.

withdrawal requests for regular operating purposes that are approved by the County Auditor-Controller's Office in a timely fashion. However, the County Treasurer recognizes that occasionally the Pool participants may request large amounts in withdrawals to cover unexpected operational needs. To accommodate such withdrawals and allow for adequate time for adjustments to the liquidity position of the Pool, the County Treasurer expects all Pool Participants to submit their written requests within the following timeframes:

i) Withdrawals of Up to $1 million – prior to 8:00 a.m. for same day disbursement

ii) Withdrawals of between $1 million to $10 million – 1 business day in advance of disbursement

iii) Withdrawals of more than $10 million – 3 business day in advance of disbursement

Withdrawals of investment deposits from the County Treasury Investment Pool by any Pool participant shall coincide with investment maturities and/or authorized sale of securities by authorized personnel of the Pool Participant. Except for funds in the California State Local Agency Investment Fund, a five-business-days notification may be required when authorized sale of securities is involved. In the event that the Treasurer must liquidate investments in order to honor the withdrawal request, the Participant who requests the withdrawal shall be subject to all expenses associated with the liquidation, including, but not limited to loss of principal and interest income, withdrawal penalties, and associated fees.

To maintain full fiduciary responsibility for investment and administration of the Pool, the County Treasurer shall NOT permit statutory participants to withdraw funds from and subsequently deposit the funds outside the Pool for the purpose of investments without prior approval of the County Treasurer. As permitted by the Government Code Section 53635, upon request the County Treasurer may enter into an investment agreement with a third party investment manager on behalf of statutory participants. However, the funds shall remain in the Pool during the entire agreement period under the care of the custodian bank retained by the County Treasurer.

Voluntary participants may withdraw funds from and subsequently deposit the funds outside the Pool for investment purposes upon the County Treasurer's approval. However, such withdrawals shall be made for the entire amount of the participant's funds deposited in the Pool. Upon completion of such withdrawals, the voluntary participants will no longer be able to participate in the Pool or receive further services from the County Treasurer's Office. NO partial withdrawals from the Pool for investment purposes are permitted.

Please refer to Withdrawal of Funds Policy, which is maintained as a separate document, for detailed guidelines and procedures.

19.0 TEMPORARY BORROWING OF POOL FUNDS

Section 6 of Article XVI of the California Constitution provides in part that "the treasurer of any city, county, or city and county shall have power and the duty to make such temporary transfers from the funds in custody as may be necessary to provide funds for meeting the obligations incurred for maintenance purposes by city, county, city and county, district, or other political subdivision whose funds are in custody and are paid out solely through the treasurer's office."

The County Auditor-Controller and the County Treasurer shall make a temporary transfer of funds to the requesting agency, not to exceed 85% of the amount of money which will accrue to the agency during the fiscal year, provided that the amount of such transfer has been determined by the County Auditor-Controller to be transferable under the constitutional and statutory provisions cited in Article XVI and has been certified by the County Treasurer-Tax Collector to be available. Such temporary transfer of funds shall not be made prior to the first day of the fiscal year nor after the last Monday in April of the current fiscal year.

20.0 INVESTMENT OF BOND PROCEEDS

The County Treasurer shall invest bond proceeds using the standards of this Investment Policy. The bond proceeds will be invested in securities permitted by the bond documents. If the bond documents are silent, the bond proceeds will be invested in securities permitted by this Policy.

21.0 DISASTER RECOVERY PLAN

The Contra Costa County Treasurer's Disaster Recovery Plan includes critical phone numbers and addresses of key personnel as well as active bankers and brokers/dealers. Laptops, tablets, smart phones, and other equivalent electronic devices shall be issued to key personnel for communicating between staff, bank and broker/dealers. Copies of the plan shall be distributed to the investment staff: Assistant County Treasurer, the Treasurer's Investment Officer, and the Investment Operations Analyst. The investment staff shall interact with one another by home phone, cell phone, or e-mail to decide an alternate location from which to conduct daily operations.

In the event investment staff is unable to conduct normal business operations, the custodial bank will automatically sweep all uninvested cash into an interest bearing account at the end of the business day. Until normal business operations have been restored, the limitations on the size of an individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this investment policy.

22.0 POLICY CONSIDERATIONS

22.1 Exemption

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

22.2 Amendments

This policy shall be reviewed on an annual basis. Any changes must be approved by the County Treasurer and any other appropriate authority.

AUTHORIZATION FOR LAIF INVESTMENTS

C.67

THE BOARD OF SUPERVISORS OF CONTRA COSTA COUNTY, CALIFORNIA

and for Special Districts, Agencies and Authorities Governed by the Board

Adopted this Resolution on 04/03/2012 by the following vote:

AYES:	4	**John Gioia** **Mary N. Piepho** **Karen Mitchoff** **Federal D. Glover**
NOES:		
ABSENT:	1	**Gayle B. Uilkema**
ABSTAIN:		
RECUSE:		

Resolution No. 2012/129

Resolution of Contra Costa County an in accordance with California Government Code Section 16429.1 Authorizing Investment of Monies in the Local Agency Investment Fund (Account #99-07-000)

WHEREAS, Pursuant to Chapter 730 of the statutes of 1976 Section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund in the State Treasury for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Board of Supervisors does hereby find that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein as in the best interests of the CONTRA COSTA COUNTY.

NOW THEREFORE, BE IT RESOLVED, that the Board of Supervisors does hereby authorize the deposit and withdrawal of CONTRA COSTA COUNTY monies in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein, and verification by the State Treasurer's Office of all banking information provided in that regard.

BE IT FURTHER RESOLVED, that the following CONTRA COSTA COUNTY officers or their successors in office shall be authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund:

Russell V. Watts, Treasurer-Tax Collector	Brice Bins, Chief Deputy Treasurer-Tax Collector	Belinda Zhu, Assistant Treasurer
(SIGNATURE)	(SIGNATURE)	(SIGNATURE)

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

Contact: Brice Bins, 925-957-2848

ATTESTED: April 3, 2012
David J. Twa, County Administrator and Clerk of the Board of Supervisors

By: June McHuen, Deputy

cc:

APPROVED BROKERS

ABN AMRO, Incorporated
Alamo Capital
Bank of America Merrill Lynch
Bank of the West
Barclays Capital, Incorporated
California Arbitrage Management Program
Citigroup Global Markets
Credit Suisse
Daiwa Capital Markets America Inc.
Goldman, Sachs & Company
Government Perspectives
JP Morgan Securities LLC
Penserra Securities LLC
Prudential Securities, Incorporated
Public Financial Management, Incorporated
RBC Capital Markets, LLC
UBS Financial Services, Inc.
UnionBanc Investment Services
Wells Fargo Securities

Note: The County Treasury will not be limited to the above list. Others will be included as long as all conditions for authorized brokers and/or dealers set forth in this policy are met. Additionally, deletions and additions are based on many factors including the maintenance of required credit quality as rated by Standard and Poor's, Moody's and other recognized rating services and reliable financial sources.

APPROVED ISSUERS

Abbey National NA
American Honda Finance
Australia & New Zealand Banking Group
Bank of Montreal
Bank of Nova Scotia
BNP Paribas
Chevron
Coca-Cola Co
Commonwealth Bank of Australia
Credit Agricole SA
Deer & Company
Deutsche Bank Financial LLC
Exxon Mobil
General Electric Capital Corp
General Electric Co
JPMorgan Chase & Co
John Deere Capital Corporation
Johnson & Johnson
McDonald's Corporation
National Australia Bank
Nestle Capital Corp
Nordea Bank AB
PepsiCo, Inc.
PNC Bank NA
Prudential
Procter & Gamble Company
Rabobank Nederland New York
Royal Bank of Canada
Sciete Generale North America
Standard Chartered Bank
State Street Bank & Trust Co
Svenska Handelsbanken AB
Toronto-Dominion Bank
Toyota Motor Credit Corp
UBS Financial
Union Bank
US Bankcorp
Walmart
Walt Disney Company
Wells Fargo Bank NA
Westpac Banking Corp
Westamerica Bank

Note: The County Treasury will not be limited to the above list in making investments. Other issuers may be considered as the County Treasury will perform additional due diligence on each investment decision. The list does not reflect the actual portfolio holdings managed by the County Treasury.

APPROVED PRIMARY DEALERS

Bank of Nova Scotia, New York Agency
BMO Capital Markets Corp.
BNP Paribas Securities Corp.
Barclays Capital Inc.
Cantor Fitzgerald & Co.
Citigroup Global Markets, Inc.
Credit Suisse Securities (USA) LLC
Daiwa Capital Markets America Inc.
Deutsche Bank Securities Inc.
Goldman, Sachs & Co.
HSBC Securities (USA) Inc.
Jefferies & Company, Inc.
J.P. Morgan Securities, Inc.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Mizuho Securities USA Inc.
Morgan Stanley & Co. Incorporated
Nomura Securities Inc.
RBC Capital Markets, LLC
RBS Securities Inc.
SG Americas Securities, LLC
TD Securities (USA) LLC
UBS Securities LLC.

Note: The above list consists of primary dealers that serve as trading counterparties of the Federal Reserve Bank of New York in its implementation of monetary policy. These primary dealers are required to participate in all auctions of U.S. government debt. Treasury Staff will perform additional due diligence on each investment decision, and hence, may or may not use the primary dealers listed above.

GLOSSARY OF TERMS

ACCRUED INTEREST The accumulated interest due on a bond as of the last interest payment made by the issuer.

AGENCY A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

AMORTIZATION The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

AVERAGE LIFE The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

BANKERS ACCEPTANCES A time bill of exchange drawn on and accepted by a commercial bank to finance the exchange of goods. When a bank "accepts" such a bill, the time draft becomes, in effect, a predated, certified check payable to the bearer at some future specified date. The commercial bank assumes primary liability once the draft is accepted.

BASIS POINT A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of one percent of yield. For example, if interest rates increase from 8.25% to 8.50%, the difference is referred to as a 25-basis-point increase.

BENCHMARK A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investment.

BID The indicated price at which a buyer is willing to purchase a security or commodity.

BLUE SKY LAWS Common term for state securities law, which vary from state to state. Generally refers to provision related to prohibitions against fraud, dealer and broker regulations and securities registration.

BOND A bond is essentially a loan made by an investor to a division of the government, a government agency or a corporation. The bond is a promissory note to repay the loan in full at the end of a fixed time period. The date on which the principal must be repaid is called the maturity date or maturity. In addition, the issuer of the bond, that is the agency or corporation receiving the loan proceeds and issuing the promissory note, agrees to make regular payments of interest at a rate initially stated on the bond. Bonds are rated according to many factors, including cost, degree of risk and rate of income.

BOOK VALUE Refers to value of a held security as carried in the records of an investor. May differ from current market value of the security.

BROKER/DEALER Any person engaged in the business of effecting transaction in securities in this state for the account of others or for her/his own account. Broker/dealer also includes a person engaged in

the regular business of issuing or guaranteeing options with regard to securities not of her/his own issue.

CALLABLE BOND A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CALL PRICE The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for the loss of income and ownership.

CALL RISK The risk to the bondholder that a bond may be redeemed prior to maturity.

CASH SALE/PURCHASE A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

CERTIFICATES OF DEPOSIT (CD) Certificates issued against funds deposited in a commercial bank for a definite period of time and earning a specified rate of return. They are issued in two forms, negotiable and non-negotiable.

CLEAN UP CALL An action of a debt instrument issuer requiring early redemption of the instrument to reduce its own administrative expenses. This normally occurs when the principal outstanding is significantly reduced to a small amount, e.g., less than 10% of the original issue.

COLLATERALIZATION Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

COMMERCIAL PAPER Short-term, unsecured promissory notes issued in either registered or bearer form and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30-45 days.

CONVEXITY A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

COUPON RATE The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

CREDIT QUALITY The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

CREDIT RISK The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CURRENT YIELD (CURRENT RETURN) A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

CUSIP NUMBERS CUSIP is an acronym for Committee on Uniform Security Identification Procedures. CUSIP numbers are identification numbers assigned each maturity of a security issue and usually printed

on the face of each individual security in the issue. The CUSIP numbers are intended to facilitate identification and clearance of securities.

DELIVERY VERSUS PAYMENT (DVP) A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

DERIVATIVE SECURITY Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

DISCOUNT The amount by which the par value of a security exceeds the price paid for the security.

DIVERSIFICATION A process of investing assets among a range of security types by sector, maturity, and quality rating.

DURATION A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

EARNINGS APPORTIONMENT The quarterly interest distribution of the Pool Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool

FAIR VALUE The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL FUNDS (FED FUNDS) Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

FEDERAL FUNDS RATE Interest rate charged by one institution lending federal funds to the other.

FEDERAL OPEN MARKET COMMITTEE (FOMC) This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FIDUCIARY An individual who holds something in trust for another and bears liability for its safekeeping.

FLOATING RATE NOTE A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g., Treasury bills, LIBOR, etc.).

FUTURES Commodities and other investments sold to be delivered at a future date.

GOVERNMENT SECURITIES An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. *See* "Treasury Bills, Notes and Bonds."

INTEREST RATE *See* "Coupon Rate."

INTERNAL CONTROLS An internal control structure designed to ensure that the assets of the Treasurer's Investment Pool are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. Control of collusion—Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. Separation of transaction authority from accounting and record keeping—By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. Custodial safekeeping—Securities purchased from a bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. Avoidance of physical delivery securities—Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. Clear delegation of authority to subordinate staff members—Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. Written confirmation of transactions for investments and wire transfers—Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. Development of a wire transfer agreement with the lead bank and third-party custodian—The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

INVERSE FLOATERS An adjustable interest rate note keyed to various indices such as LIBOR, commercial paper, federal funds, treasuries and derivative structures. The defined interest rate formula is the opposite or inverse of these indices. Interest rates and pay dates may reset daily, weekly, monthly, quarterly, semi-annually or annually.

INVERTED YIELD CURVE A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

INVESTMENT COMPANY ACT OF 1940 Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

INVESTMENT POLICY A concise and clear statement of the objectives and parameters formulated by the investor or investment manager for a portfolio of investment securities.

INVESTMENT-GRADE OBLIGATIONS An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

LIQUIDITY Usually refers to the ability to convert assets (such as investments) into cash.

LOCAL AGENCY INVESTMENT FUND (LAIF) The State of California investment pool in which money of local agencies is pooled as a method for managing and investing local funds.

MAKE WHOLE CALL A type of call provision on a bond allowing the borrower to pay off remaining debt early. The borrower has to make a lump sum payment derived from a formula based on the net present value of future coupon payments that will not be paid because of the call.

MARK TO MARKET Valuing the inventory of held securities at its current market value.

MARKET RISK The risk that the value of a security will rise or decline as a result of changes in market conditions.

MARKET VALUE Price at which a security can be traded in the current market.

MASTER REPURCHASE AGREEMENT A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transaction. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY The date upon which the principal of a security becomes due and payable to the holder.

MEDIUM-TERM NOTES (MTNS) Corporate debt obligations continuously offered in a broad range of maturities. MTNs were created to bridge the gap between commercial paper and corporate bonds. The key characteristic of MTNs is that they are issued on a continuous basis.

MONEY MARKET INSTRUMENTS Private and government obligations of one year or less.

MONEY MARKET MUTUAL FUNDS Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, banker's acceptances, repos and federal funds).

MUTUAL FUND An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.

4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

MUTUAL FUND STATISTICAL SERVICES Companies that track and rate mutual funds, e.g., IBC/Donoghue, Lipper Analytical Services and Morningstar.

NATIONAL ASSOCIATION OF SECURITIES DEALERS (NASD) A self-regulatory organization (SRO) of brokers and dealers in the over-the counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

NEGOTIABLE CERTIFICATES OF DEPOSIT May be sold by one holder to another prior to maturity. This is possible because the issuing bank agrees to pay the amount of the deposit plus interest earned to the bearer of the certificate at maturity.

NET ASSET VALUE The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below)

[(Total assets) – (Liabilities]/(Number of shares outstanding)

NO LOAD FUND A mutual fund which does not levy a sales charge on the purchase of its shares.

NOMINAL YIELD The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

NON-NEGOTIABLE CERTIFICATES OF DEPOSIT For public funds, these certificates are collateralized and are not money market instruments since they cannot be traded in the secondary market. They are issued on a fixed-maturity basis and often pay higher interest rates than are permissible on other savings or time-deposit accounts.

OFFER The price of a security at which a person is willing to sell.

OPTION A contract that provides the right, but not the obligation, to buy or to sell a specific amount of a specific security within a predetermined time period. A call option provides the right to buy the underlying security. A put option provides the right to sell the underlying security. The seller of the contracts is called the writer.

PAR Face value of principal value of a bond, typically $1,000 per bond.

PAR VALUE The stated or face value of a security expressed as a specific dollar amount marked on the face of the security; the amount of money due at maturity. Par value should not be confused with market value.

POSITIVE YIELD CURVE A chart formation that illustrates short-term securities having lower yields than long-term securities.

PREMIUM The amount by which the price paid for a security exceeds par value, generally representing the difference between the nominal interest rate and the actual or effective return to the investor.

PRIME RATE A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

PRINCIPAL The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

PROSPECTUS A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

PRUDENT PERSON RULE An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

RANGE NOTES A security whose rate of return is pegged to an index. The note defines the interest rate minimum or floor and the interest rate maximum or cap. An example of an index may be federal funds. The adjustable rate of interest is determined within the defined range of the funds.

RATE OF RETURN The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond and the current income return.

REINVESTMENT RISK The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

REPURCHASE AGREEMENT OR RP OR REPO An agreement consisting of two simultaneous transactions whereby the investor purchases securities from a bank or dealer and the bank or dealer agrees to repurchase the securities at the same price on a certain future date. The interest rate on a RP is that which the dealer pays the investor for the use of his funds. Reverse repurchase agreements are the mirror image of the RPs when the bank or dealer purchases securities from the investor under an agreement to sell them back to the investor.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO) An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

RULE 2A-7 OF THE INVESTMENT COMPANY ACT Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

SAFEKEEPING Holding of assets (e.g., securities) by a financial institution.

SECURITIES LENDING A transaction wherein the Treasurer's Pool transfers its securities to a broker/dealer or other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SERIAL BOND A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

SETTLEMENT DATE The date used in price and interest computations, usually the date of delivery.

SINKING FUND Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

SLUGS An acronym for State and Local Government Series. SLUGS are special United States Government securities sold by the Secretary of the Treasury to states, municipalities and other local government bodies through individual subscription agreements. The interest rates and maturities of SLUGS are arranged to comply with arbitrage restrictions imposed under Section 103 of the Internal Revenue Code. SLUGS are most commonly used for deposit in escrow in connection with the issuance of refunding bonds.

STRIPS US Treasury acronym for "separate trading of registered interest and principal of securities." Certain registered Treasury securities can be divided into separate interest and principal components, which may then be traded as separate entities.

SWAP Generally refers to an exchange of securities, with essentially the same par value, but may vary in coupon rate, type of instrument, name of issuer and number of days to maturity. The purpose of the SWAP may be to enhance yield, to shorten the maturity or any benefit deemed by the contracting parties.

TERM BONDS Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

TOTAL RETURN The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period: (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return

TREASURY SECURITIES Debt obligations of the United States Government sold by the Treasury Department in the form of bills, notes and bonds:

1. **Bills** Short-term obligations that mature in one year or less and are sold at a discount in lieu of paying periodic interest.
2. **Notes** Interest-bearing obligations that mature between one year and 10 years.
3. **Bonds** Interest-bearing long-term obligations that generally mature in 10 years or more.

UNIFORM NET CAPITAL RULE SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

U.S. AGENCY OBLIGATIONS Federal agency or United States government-sponsored enterprise obligations, participants, or other instruments. The obligations are issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

U.S. TREASURY OBLIGATIONS Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk and are the benchmark for

interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

VOLATILITY A degree of fluctuation in the price and valuation of securities.

"VOLATILITY RISK" RATING A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bond funds. The ratings for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns ("S1+" by S&P) to those that are highly sensitive with currently identifiable market volatility risk ("S6" by S&P).

WEIGHTED AVERAGE MATURITY (WAM) The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

WHEN ISSUED (WI) A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.

YIELD The current rate of return on an investment security generally expressed as a percentage of the security's current price.

YIELD-TO-CALL (YTC) The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

YIELD CURVE A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

YIELD-TO-MATURITY The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

ZERO-COUPON SECURITY A security that makes no periodic interest payments but instead is sold at a discount from its face value.

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CONTRA COSTA COUNTY

TREASURER'S QUARTERLY INVESTMENT REPORT

AS OF JUNE 30, 2014

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 6/30/14, the fair value of the Treasurer's investment portfolio was 99.95% of the cost. More than 85 percent of the portfolio or over $2.02 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	$2,381,402,388.40
Cost	$2,385,681,242.72
Market Value	$2,384,395,928.88
Weighted Yield to Maturity	0.37%
Weighted Average Days to Maturity	184 days
Weighted Duration	0.50 year

CONTRA COSTA COUNTY INVESTMENT POOL
As of June 30, 2014

TYPE	PAR VALUE	COST	FAIR VALUE	PERCENT OF TOTAL COST
A. Investments Managed by Treasurer's Office				
1. U.S. Treasuries (STRIPS, Bills, Notes)	$33,935,000.00	$35,181,423.05	$34,911,319.95	1.47%
2. U.S. Agencies				
Federal Agriculture Mortgage Corporation	0.00	0.00	0.00	0.00%
Federal Home Loan Banks	79,597,857.14	79,754,737.49	79,813,490.57	3.34%
Federal National Mortgage Association	80,564,000.00	82,031,637.39	81,135,637.47	3.44%
Federal Farm Credit Banks	54,574,000.00	54,641,266.05	54,690,552.43	2.29%
Federal Home Loan Mortgage Corporation	66,492,000.00	67,829,665.64	66,667,275.44	2.84%
Municipal Bonds	6,620,000.00	6,888,245.85 [1]	6,888,245.85 [1]	0.29%
Subtotal	287,847,857.14	291,145,552.42	289,195,201.76	12.20%
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	764,574,000.00	763,861,115.44	764,244,016.21	32.02%
Negotiable Certificates of Deposit	485,975,000.00	485,977,092.93	486,107,518.65	20.37%
Medium Term Certificates of Deposit	0.00	0.00	0.00	0.00%
Corporate Notes	99,622,000.00	99,775,786.40	100,145,592.25	4.18%
Money Market Accounts	565,318.32	565,318.32	565,318.32	0.02%
Time Deposit	3,335.77	3,335.77	3,335.77	0.00%
Subtotal	1,350,739,654.09	1,350,182,648.86	1,351,065,781.20	56.60%
TOTAL (Section A.)	1,672,522,511.23	1,676,509,624.33	1,675,172,302.91	70.27%
B. Investments Managed by Outside Contractors				
1. Local Agency Investment Fund	249,031,121.23	249,031,121.23	249,105,519.28 [2]	10.44%
2. Other				
a. EBRCS Bond	2,376,094.38	2,376,094.38	2,376,094.38	0.10%
b. Miscellaneous (BNY, CCFCU)	123,858.83	123,858.83	123,858.83	0.01%
c. Wells Capital Management	44,094,221.54	44,385,962.76	44,363,572.29	1.86%
d. CalTRUST (Short-Term Fund)	123,210,612.77	123,210,612.77	123,210,612.77	5.16%
Subtotal	169,804,787.52	170,096,528.74	170,074,138.27	7.13%
TOTAL (Section B.)	418,835,908.75	419,127,649.97	419,179,657.55	17.57%
C. Cash	290,043,968.42	290,043,968.42	290,043,968.42	12.16%
[3]GRAND TOTAL (FOR A , B, & C)	$2,381,402,388.40	$2,385,681,242.72	$2,384,395,928.88	100.00%

Notes:

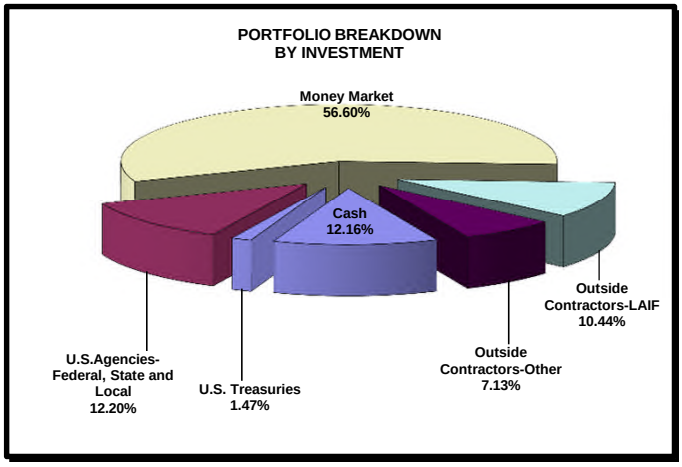
1. Fair Value equals Cost less purchase interest

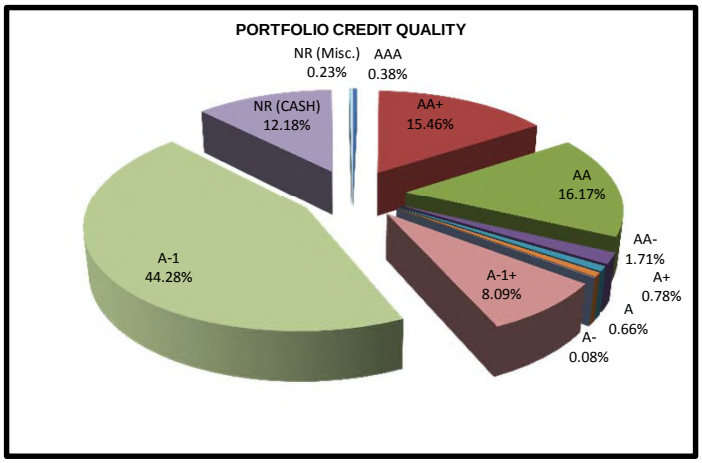
2. Estimated Fair Value

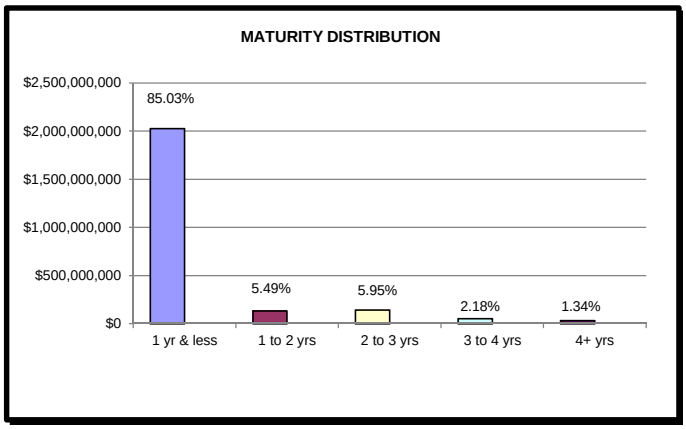
3. Does not include the Futuris Public Entity Trust of the Contra Costa Community College District Retirement Board of Authority

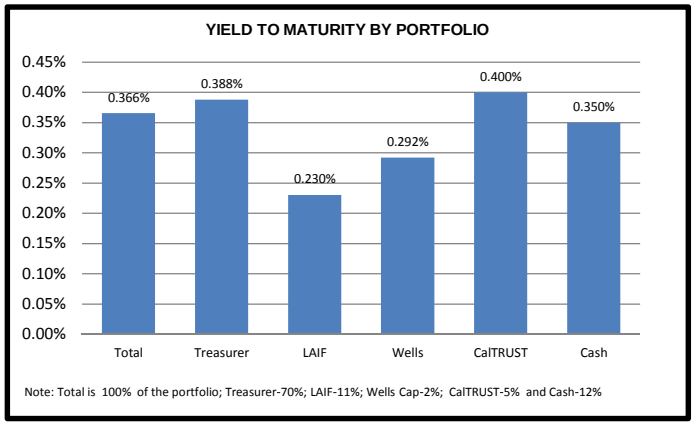
CONTRA COSTA COUNTY
INVESTMENT POOL
AT A GLANCE

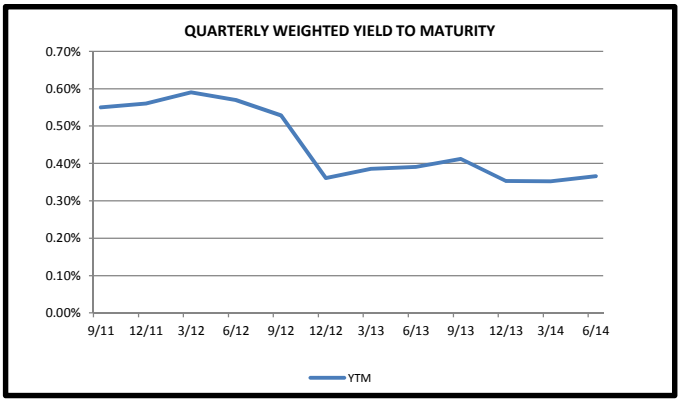
AS OF JUNE 30, 2014

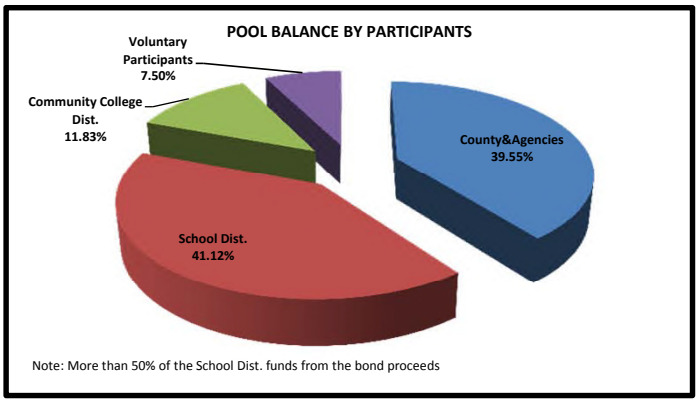










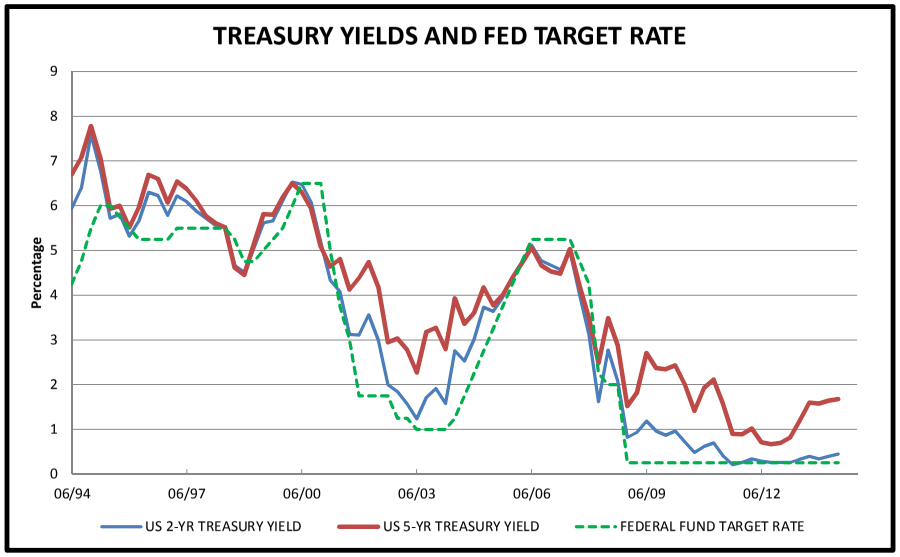


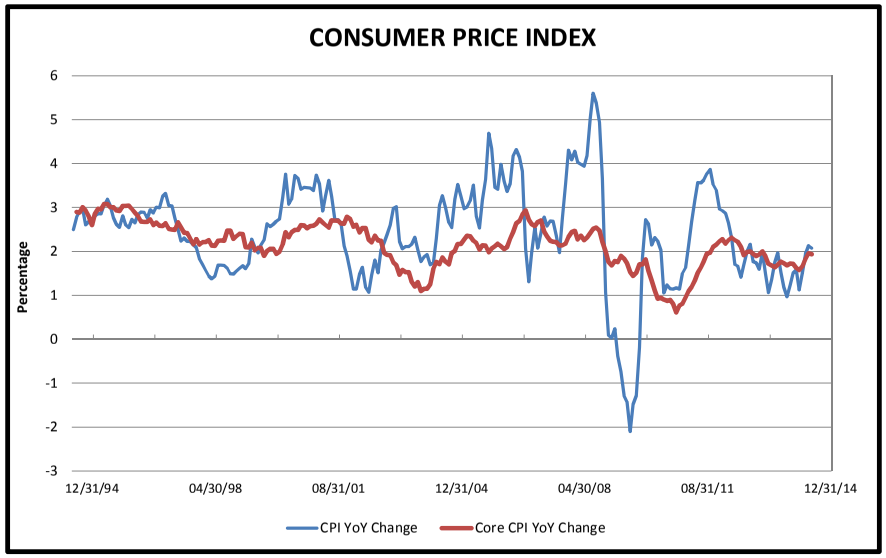
NOTES TO INVESTMENT PORTFOLIO SUMMARY AND AT A GLANCE AS OF JUNE 30, 2014

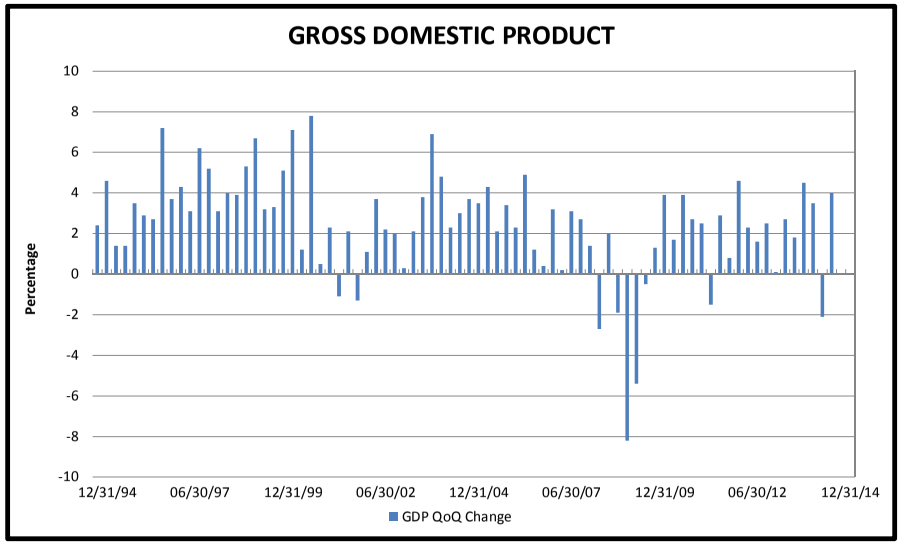
1. All report information is unaudited but due diligence was utilized in its preparation.
2. There may be slight differences between the portfolio summary page and the attached exhibits and statements for investments managed by outside contractors or trustees. The variance is due to the timing difference 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 85% of the portfolio will mature in less than a year with a weighted average maturity of 184 days.

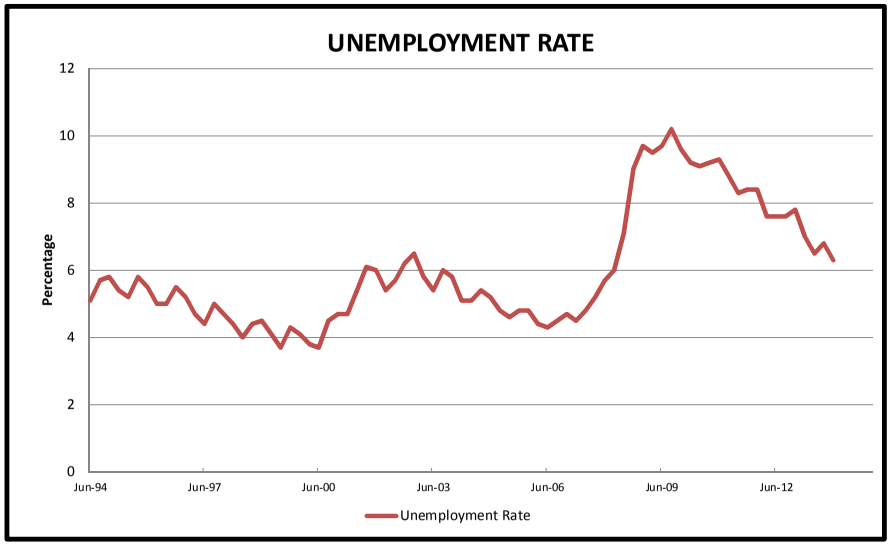
MAJOR MARKET AND ECONOMIC DATA

AS OF JUNE 30, 2014









Note:
All data provided by Bloomberg

CONTRA COSTA COUNTY
TREASURER'S OFFICE
INVESTMENT INVENTORY WITH MARKET VALUE

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INVESTMENTS OUTSTANDING AS OF 06/30/14
MAJOR SORT KEY IS ICC#

INVEST NUMBER	DESCRIPTION PURCHASE MATURITY DATE	CUSIP	BANK BROK	FUND SAFE	CPN RATE YTM TR	PAR/SHARES BOOK	MARKET VALUE MARKET PRICE	CURR ACCR INT PRICE SOURCE	UNREALIZED GAIN UNREALIZED LOSS
SUBTOTAL (Inv Type) 12 TREASURY NOTES			2.08%(M)		2.0103	33,935,000.00	34,911,319.95	106,879.02	11,764.66
					.5299	35,181,423.05	102.8770290000		-270,026.32
SUBTOTAL (Inv Type) 17 FHLB QTR 30/360			.47%(M)		1.0000	7,800,000.00	7,802,964.00	650.00	2,964.00
					1.0000	7,800,000.00	100.0380000000		
SUBTOTAL (Inv Type) 19 FHLB FLOATING ACT/360			.45%(M)		1.0000	7,500,000.00	7,509,600.00	20,208.33	18,350.00
					1.0238	7,491,250.00	100.1280000000		
SUBTOTAL (Inv Type) 22 FEDERAL HOME LOAN BANKS			3.59%(M)		.9117	59,917,857.14	60,121,664.63	66,942.92	154,608.34
					.8346	60,085,246.86	100.3401450000		-117,352.36
SUBTOTAL (Inv Type) 23 FEDERAL NATIONAL MORTGA			4.84%(M)		1.4528	80,564,000.00	81,135,637.47	274,290.25	100,228.28
					.9643	82,031,637.39	100.7095450000		-966,784.26
SUBTOTAL (Inv Type) 27 FEDERAL FARM CREDIT BAN			3.26%(M)		.5936	54,574,000.00	54,690,552.43	73,139.28	68,864.12
					.5645	54,641,266.05	100.2135680000		-19,573.59
SUBTOTAL (Inv Type) 28 FHLMC DISCOUNT NOTES			.16%(M)		.1523	2,608,000.00	2,607,558.18	2,475.23	920.92
					.1525	2,604,162.03	99.98305900000		
SUBTOTAL (Inv Type) 29 FHLMC NOTES			3.82%(M)		1.6785	63,884,000.00	64,059,717.26	374,746.36	49,289.81
					1.0798	65,225,503.61	100.2750570000		-1,211,355.73
SUBTOTAL (Inv Type) 31 MUNICIPAL BONDS			.41%(M)		2.5718	6,620,000.00	6,888,245.85	59,970.35	.00
					1.2139	6,888,245.85	104.0520520000		
SUBTOTAL (Inv Type) 43 FHLB DISCOUNT NOTES			.26%(M)		.0740	4,380,000.00	4,379,261.94	767.07	284.15
					.0741	4,378,240.63	99.98314900000		
SUBTOTAL (Inv Type) 70 COMM PAPER INTEREST BEA			1.27%(M)		.1454	21,325,000.00	21,323,519.56	7,186.06	.00
					.1454	21,325,000.00	99.99305800000		-1,480.44
SUBTOTAL (Inv Type) 71 COMMERCIAL PAPER DISCOU			44.35%(M)		.2111	743,249,000.00	742,920,496.65	322,597.45	66,803.40
					.2113	742,536,115.44	99.95580200000		-5,019.64
SUBTOTAL (Inv Type) 72 NEGOTIABLE CERT OF DEPO			28.76%(M)		.2281	481,575,000.00	481,708,998.45	269,027.05	131,502.77
					.2270	481,578,572.73	100.0278250000		
SUBTOTAL (Inv Type) 73 CORP NOTE FLTG RT ACT-			.92%(M)		.5029	15,450,000.00	15,480,741.00	17,489.41	78,291.00
					.6795	15,402,450.00	100.1989710000		
SUBTOTAL (Inv Type) 75 CORPORATE NOTES			5.05%(M)		1.2563	84,172,000.00	84,664,851.25	286,725.00	389,749.93
					1.1276	84,373,336.40	100.5855290000		-81,179.41

CONTRA COSTA COUNTY
TREASURER'S OFFICE
INVESTMENT INVENTORY WITH MARKET VALUE

(RPTMKT)

RUN: 07/30/14 07:53:13

INVESTMENTS OUTSTANDING AS OF 06/30/14
MAJOR SORT KEY IS ICC#

INVEST NUMBER	DESCRIPTION PURCHASE MATURITY DATE	CUSIP	BANK BROK	FUND SAFE	CPN RATE YTM TR	PAR/SHARES BOOK	MARKET VALUE MARKET PRICE	CURR ACCR INT PRICE SOURCE	UNREALIZED GAIN UNREALIZED LOSS
SUBTOTAL	(Inv Type) 80 YCD / NCD QTR FLTR		.26%(M)		.3209	4,400,000.00	4,398,520.20	706.00	.00
					.3378	4,398,520.20	99.96636800000		
SUBTOTAL	(Inv Type) 99 MONEY MARKET ACCOUNTS		.03%(M)		0.0000	565,318.32	565,318.32	.00	.00
					.0000	565,318.32	100.0000000000		
SUBTOTAL	(Inv Type) 1000 TD WITH CALC CODE OF		.00%(M)		.6000	3,335.77	3,335.77	2.11	.00
					.6000	3,335.77	100.0000000000		
	GRAND TOTAL				.4802	1672522511.23	1675172302.91	1,883,801.89	1,073,621.38
					.3877	1676509624.33	100.1584310000		-2,672,771.75

* MARKET = BOOK LESS PURCHASE INTEREST

NOTE: GRAND TOTAL EXCLUDES RETIREMENT INVESTMENTS, IF ANY.

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series 2014 Refunding Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2014 Refunding Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2014 Refunding Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

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

Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from 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 redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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.

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

10. 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, Security certificates will be printed and delivered to DTC.

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

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