This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

# PRELIMINARY OFFICIAL STATEMENT DATED MAY 29, 2015

**TWO NEW ISSUES—BOOK-ENTRY ONLY**

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

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

## $30,000,000*
## PITTSBURG UNIFIED SCHOOL DISTRICT
## (Contra Costa County, California)
## General Obligation Bonds,
## Election of 2014, Series A (2015)

## $42,000,000*
## PITTSBURG UNIFIED SCHOOL DISTRICT
## (Contra Costa County, California)
## 2015 General Obligation Refunding Bonds

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

The $30,000,000* Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2014, Series A (2015) (the "2014A Bonds") are being issued by the Pittsburg Unified School District (the "District") pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code and a resolution of the Board of Trustees of the District (the "Board"). The 2014A Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on November 4, 2014, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of $85,000,000 (the "2014 Authorization"), and (b) pay for costs of issuance of the 2014A Bonds. The 2014A Bonds constitute the first issue of bonds under the 2014 Authorization. The 2014A Bonds will be issued as current interest bonds.

The $42,000,000* Pittsburg Unified School District (Contra Costa County, California) 2015 General Obligation Refunding Bonds (the "2015 Refunding Bonds" and, with the 2014A Bonds, the "Bonds") are being issued by the District pursuant to Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code and a resolution of the Board. The Refunding Bonds are being issued to (a) refund, on an advance basis, (i) the Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2004, Series B (the "2004B Bonds"), and (ii) the Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2006, Series B (the "2006B Bonds"), and (b) pay for costs of issuance of the 2015 Refunding Bonds. The 2004B Bonds and the 2006B Bonds were issued to finance educational facilities. The 2015 Refunding Bonds will be issued as current interest bonds.

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

The Bonds are issuable in denominations of $5,000 and any integral multiple thereof. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2015. See "THE BONDS" herein. The Bonds will be delivered in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent"), to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

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

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS***

**SEE THE INSIDE COVER**

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

The Bonds will be offered when, as and if issued, and received by the Underwriter, subject to the approval as to their validity by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, Disclosure Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about June 23, 2015.

**George K. Baum & Company**

June __ , 2015

*Preliminary, subject to change.

**$30,000,000***
**PITTSBURG UNIFIED SCHOOL DISTRICT**
**(Contra Costa County, California)**
**General Obligation Bonds,**
**Election of 2014, Series A (2015)**

CUSIP† Prefix: ______

| Maturity (August 1) | Principal Amount* | Interest Rate | Yield | Price | CUSIP† Suffix | Maturity (August 1) | Principal Amount* | Interest Rate | Yield | Price | CUSIP† Suffix |
|---|---|---|---|---|---|---|---|---|---|---|---|

**$42,000,000***
**PITTSBURG UNIFIED SCHOOL DISTRICT**
**(Contra Costa County, California)**
**2015 General Obligation Refunding Bonds**

CUSIP† Prefix: ______

| Maturity (August 1) | Principal Amount* | Interest Rate | Yield | Price | CUSIP† Suffix | Maturity (August 1) | Principal Amount* | Interest Rate | Yield | Price | CUSIP† Suffix |
|---|---|---|---|---|---|---|---|---|---|---|---|

*Preliminary, subject to change.
†Copyright 2015, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the District and are included solely for the convenience of the registered owners of the Bonds. Neither the District nor the Underwriter is responsible for the selection or uses of these CUSIP numbers and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

*For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), this Preliminary Official Statement constitutes an "official statement" of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.*

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

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

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

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

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

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

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

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

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

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## TABLE OF CONTENTS

# PITTSBURG UNIFIED SCHOOL DISTRICT

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



## DISTRICT ADMINISTRATION

Dr. Janet Schulze, *Superintendent/Clerk of the Board*
Enrique Palacios, *Deputy Superintendent*
Abe Doctolero, *Assistant Superintendent, Educational Services*
Sally Clark, *Assistant Superintendent, Human Resources*

## PROFESSIONAL SERVICES

BOND COUNSEL and DISCLOSURE COUNSEL
Quint & Thimmig LLP
*Larkspur, California*

MUNICIPAL ADVISOR
Public Financial Management, Inc.
*San Francisco, California*

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

VERIFICATION AGENT
Causey, Demgen & Moore, P.C.
*Denver, Colorado*

**$30,000,000***
**PITTSBURG UNIFIED SCHOOL DISTRICT**
**(Contra Costa County, California)**
**General Obligation Bonds,**
**Election of 2014, Series A (2015)**

**$42,000,000***
**PITTSBURG UNIFIED SCHOOL DISTRICT**
**(Contra Costa County, California)**
**2015 General Obligation Refunding Bonds,**

## INTRODUCTION

This Official Statement, which includes the inside cover page and appendices hereto, provides information in connection with the sale of $30,000,000* Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2014, Series A (2015) (the "2014A Bonds"), and the $42,000,000* Pittsburg Unified School District (Contra Costa County, California) 2015 General Obligation Refunding Bonds (the "2015 Refunding Bonds" and, with the 2014A Bonds, the "Bonds").

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

### The District

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

For more complete information concerning the District, including certain financial information, see "THE DISTRICT" and "APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION." The District's audited financial statements for the fiscal year ended June 30, 2014, are included as APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014.

### Sources of Payment for the Bonds

The Bonds represent general obligations of the District payable solely from *ad valorem* property taxes levied and collected by the County. The Board of Supervisors of the County is empowered and is

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* Preliminary, subject to change.

obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

**Authority for Issues; Purpose of Issue**

*2014A Bonds*. The 2014A Bonds are issued pursuant to the Constitution and laws of the State of California (the "State"), including the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code. The Bonds are authorized to be issued pursuant to a resolution (the "2014A Bonds Resolution"), adopted by the board of trustees of the District (the "District Board") on February 25, 2015.

The 2014A Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on November 4,2014, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of $85,000,000 (the "2014 Authorization"), and (b) pay for costs of issuance of the 2014A Bonds. The 2014A Bonds will be the first issue under the 2014 Authorization.

*2015 Refunding Bonds*. The 2015 Refunding Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code. The 2015 Refunding Bonds are authorized to be issued pursuant to a resolution (the "2015 Refunding Bond Resolution"), adopted by the District Board on February 25, 2015.

The 2015 Refunding Bonds are being issued to (a) refund, on an advance basis, (i) a portion of the Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2004, Series B (the "2004B Bonds"), and (ii) a portion of the Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2006, Series B (the "2006B Bonds"), and (b) pay for costs of issuance of the 2015 Refunding Bonds.

**Description of the Bonds**

The Bonds are being issued as current interest bonds. The Bonds will be dated as of their date of delivery, will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. Interest on the Bonds accrues from their date of delivery and is payable semiannually on each February 1 and August 1 (each an "Interest Payment Date"), commencing August 1, 2015.

The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth on the inside cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" and APPENDIX G—BOOK-ENTRY SYSTEM. In event that the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolutions described herein. See "THE BONDS—Registration, Transfer and Exchange of Bonds." Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or any integral multiple thereof.

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

**Tax Matters**

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

**Offering and Delivery**

The Bonds are offered when, as and if issued and received by George K. Baum & Company (the "Underwriter"), subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about June 18, 2015.

**Continuing Disclosure**

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

**Other Information**

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

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

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

## THE BONDS

### Authority for Issuance

*2014A Bonds.* The 2014A Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code. The 2014A Bonds are authorized pursuant to the 2014A Bonds Resolution.

*2015 Refunding Bonds.* The 2015 Refunding Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code. The 2015 Refunding Bonds are authorized pursuant to the 2015 Refunding Bond Resolution.

### Purposes of Issuance

*2014A Bonds.* The 2014A Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the 2014 Authorization, and (b) pay for costs of issuance of the 2014A Bonds. See "—Sources and Uses of Funds."

*2015 Refunding Bonds.* The 2015 Refunding Bonds are being issued to (a) refund the 2004B Bonds and the 2006B Bonds, and (b) pay for costs of issuance of the 2015 Refunding Bonds. See "—Sources and Uses of Funds" and "—Plan of Refunding."

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

### Security

The Bonds represent general obligations of the District payable solely from *ad valorem* property taxes levied and collected. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes for the payment of the Bonds, and the interest thereon, upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes are required to be levied annually, in addition to all other taxes, during the period that the Bonds are outstanding in an amount sufficient to pay the principal of or interest on the Bonds when due. Such taxes, when collected, will be deposited, with respect to the Bonds, into the Interest and Sinking Fund and which is required by the California Education Code to be applied for the payment of principal of or interest on the Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and the County Treasurer-Tax Collector will maintain the Interest and Sinking Fund, the Bonds are a debt of the District, not the County.

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

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

**Description of the Bonds**

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

Interest with respect to the Bonds accrues from their date of delivery and is payable semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing August 1, 2015. Interest on the Bonds accrues on the basis of a 360-day year comprised of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to that Interest Payment Date, inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before July 15, 2015, in which event it will bear interest from their date of delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on the dates, in the years and amounts set forth on the inside cover page hereof. The principal of and interest on the Bonds will be payable by check or draft mailed by first-class mail, in lawful money of the United State of America upon presentation and surrender of such Bond at the office of the Paying Agent. See also "Book Entry Only System" below.

See the maturity schedule on the inside cover page hereof and "THE BONDS—Debt Service Schedules."

**Payment**

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

**Redemption**

*2014A Bonds*

**Optional Redemption**. The 2014A Bonds maturing on and prior to August 1, _____, are not callable for redemption prior to their stated maturity date. The 2014A Bonds maturing on and after August 1, _____, are callable for redemption prior to their stated maturity date at the option of the District, in whole or in part on any date on or after August 1, _____, from any source lawfully available therefor, at a redemption price equal to the principal amount of the 2014A Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

**Sinking Fund Redemption**. The 2014A Bonds maturing on August 1, _____, are also subject to mandatory sinking fund redemption in part by lot on August 1, _____, and on each August 1 thereafter, to and including August 1, _____, from Mandatory Sinking Account Payments made by the District at a redemption price equal to the principal amount thereof, without premium, in the aggregate respective amounts and on the respective dates as set forth in the following table.

| Sinking Account Redemption Date (August 1) | Principal Amount to be Redeemed |
|---|---|

†Maturity

The 2014A Bonds maturing on August 1, _____, are also subject to mandatory sinking fund redemption in part by lot on August 1, _____, and on each August 1 thereafter, to and including August 1, _____, from Mandatory Sinking Account Payments made by the District at a redemption price equal to the principal amount thereof, without premium, in the aggregate respective amounts and on the respective dates as set forth in the following table.

| Sinking Account Redemption Date (August 1) | Principal Amount to be Redeemed |
|---|---|

†Maturity

*2015 Refunding Bonds*

**Optional Redemption**. The 2015 Refunding Bonds maturing on and prior to August 1, _____, are not callable for redemption prior to their stated maturity date. The 2015 Refunding Bonds maturing on and after August 1, _____, are callable for redemption prior to their stated maturity date at the option of the District, in whole or in part on any date on or after August 1, _____, from any source lawfully available therefor, at a redemption price equal to the principal amount of the 2015 Refunding Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

**Sinking Fund Redemption**. The 2015 Refunding Bonds maturing on August 1, _____, are also subject to mandatory sinking fund redemption in part by lot on August 1, _____, and on each August 1 thereafter, to and including August 1, _____, from Mandatory Sinking Account Payments made by the District at a redemption price equal to the principal amount thereof, without premium, in the aggregate respective amounts and on the respective dates as set forth in the following table.

| Sinking Account Redemption Date (August 1) | Principal Amount to be Redeemed |
|---|---|

†Maturity

The 2015 Refunding Bonds maturing on August 1, _____, are also subject to mandatory sinking fund redemption in part by lot on August 1, _____, and on each August 1 thereafter, to and including August 1, _____, from Mandatory Sinking Account Payments made by the District at a redemption price equal to the principal amount thereof, without premium, in the aggregate respective amounts and on the respective dates as set forth in the following table.

| Sinking Account Redemption Date (August 1) | Principal Amount to be Redeemed |
|---|---|

†Maturity

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

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

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

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

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

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

**Defeasance**

All or a portion of the Bonds may be defeased prior to maturity in the following ways:

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

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

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

"Defeasance Securities" means United States Treasury 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.

**Registration, Transfer and Exchange of Bonds**

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

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

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

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

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

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

**Application and Investment of the Series A Bond Proceeds**

The proceeds of sale of the 2014A Bonds, exclusive of any premium and accrued interest received, shall be deposited in the County treasury to the credit of the Building Fund of the District. Any premium and accrued interest shall be deposited upon receipt in the interest and sinking fund of the District within the County Treasury. All funds held in the interest and sinking fund of the District shall be invested at the sole discretion of the County Treasurer. All funds held in the Building Fund of the District by the County Treasurer hereunder shall be invested at the County Treasurer's discretion, unless otherwise directed in writing by the District, pursuant to law and the investment policy of the County. In addition, at the written direction of the District, all or any portion of the Building Fund of the District may be invested in the Local Agency Investment Fund in the treasury of the State of California.

**Sources and Uses of Funds**

*2014A Bonds*. The estimated sources and uses of funds in connection with the 2014A Bonds are as follows:

| | |
|---|---|
| Sources of Funds: | |
| Principal Amount of 2014A Bonds | |
| Plus: Net/Less Original Issue Premium/Discount | |
| Total Sources of Funds | |
| | |
| Uses of Funds: | |
| Deposit to Building Fund | |
| Deposit to Interest and Sinking Fund | |
| Costs of Issuance [1] | |
| Total Uses of Funds | |

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

*2015 Refunding Bonds*. The estimated sources and uses of funds in connection with the 2015 Refunding Bonds are as follows:

| | |
|---|---|
| Sources of Funds: | |
| Principal Amount of 2015 Refunding Bonds | |
| Plus: Net/Less Original Issue Premium/Discount | |
| Total Sources of Funds | |
| | |
| Uses of Funds: | |
| Deposit to 2004B Bonds Escrow Fund | |
| Deposit to 2006B Bonds Escrow Fund | |
| Costs of Issuance [1] | |
| Total Uses of Funds | |

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

**Refunding Plan**

A portion of the proceeds from the sale of the 2015 Refunding Bonds will be deposited into an escrow fund (the "2004B Escrow Fund") to be created and maintained by The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank"), under an escrow deposit and trust agreement by and between the District and the Escrow Bank. A portion of the moneys deposited in the 2004B Escrow Fund will be invested in U.S. Treasury Securities (the "Securities") and the remaining amount will be held in cash, uninvested. The maturing Securities, the interest thereon and the uninvested cash will be applied to the payment of principal of and interest on the 2004B Bonds to and including August 1, 2016, and will applied to the redemption of the 2004B Bonds in full on that date at a principal amount equal to 100% thereof. The sufficiency of the moneys, investment earnings and maturing SLGS for such purposes will be verified by Causey, Demgen & Moore P.C. (the "Verification Agent"). See "VERIFICATION OF MATHEMATICAL COMPUTATIONS." Assuming the accuracy of the Verification Agent's computations, as a result of the deposit and application of funds as provided in the

2004B Escrow Agreement, the obligations of the District with respect to the 2004B Bonds will be defeased and discharged. The maturing Securities, the interest income thereon and the uninvested cash in the 2004B Escrow Fund will be held in trust solely for the 2004B Bonds and will not be available to pay principal of, or premium or interest on, the 2015 Refunding Bonds or any bonds other than the 2004B Bonds.

The 2004B Bonds to be refunded are shown in the following table*:

| Maturity Date | Amount Refunded | Interest Rate | Call Date | Call Price | CUSIP† |
|---|---|---|---|---|---|
| 8/1/17 | $ 365,000 | 4.000% | 8/1/16 | 100.000 | 724581 HY2 |
| 8/1/18 | 405,000 | 4.125 | 8/1/16 | 100.000 | 724581 HZ9 |
| 8/1/19 | 510,000 | 4.125 | 8/1/16 | 100.000 | 724581 JA2 |
| 8/1/20 | 560,000 | 4.250 | 8/1/16 | 100.000 | 724581 JB0 |
| 8/1/21 | 615,000 | 4.250 | 8/1/16 | 100.000 | 724581 JC8 |
| 8/1/22 | 675,000 | 5.000 | 8/1/16 | 100.000 | 724581 JD6 |
| 8/1/23 | 735,000 | 5.000 | 8/1/16 | 100.000 | 724581 JE4 |
| 8/1/24 | 800,000 | 4.400 | 8/1/16 | 100.000 | 724581 JF1 |
| 8/1/25 | 870,000 | 4.400 | 8/1/16 | 100.000 | 724581 JG9 |
| 8/1/26 | 940,000 | 4.400 | 8/1/16 | 100.000 | 724581 JH7 |
| 8/1/27 | 1,020,000 | 5.250 | 8/1/16 | 100.000 | 724581 JJ3 |
| 8/1/28 | 1,100,000 | 4.500 | 8/1/16 | 100.000 | 724581 JK0 |
| 8/1/29 | 1,190,000 | 4.500 | 8/1/16 | 100.000 | 724581 JL8 |
| 8/1/30 | 1,325,000 | 4.600 | 8/1/16 | 100.000 | 724581 JM6 |

A portion of the proceeds from the sale of the 2015 Refunding Bonds will be deposited into an escrow fund (the "2006B Escrow Fund") to be created and maintained by the Escrow Bank under an escrow deposit and trust agreement by and between the District and the Escrow Bank. A portion of the moneys deposited in the 2006B Escrow Fund will be invested in SLGS and the remaining amount will be held in cash, uninvested. The maturing SLGS, the interest thereon and the uninvested cash will be applied to the payment of principal of and interest on the 2006B Bonds to and including August 1, 2018, and will applied to the redemption of the 2004B Bonds in full on that date at a principal amount equal to 100% thereof. The sufficiency of the moneys, investment earnings and maturing SLGS for such purposes will be verified by the Verification Agent. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS." Assuming the accuracy of the Verification Agent's computations, as a result of the deposit and application of funds as provided in the 2006B Escrow Agreement, the obligations of the District with respect to the 2006B Bonds will be defeased and discharged. The maturing SLGS, the interest income thereon and the uninvested cash in the 2006B Escrow Fund will be held in trust solely for the 2006B Bonds and will not be available to pay principal of, or premium or interest on, the 2015 Refunding Bonds or any bonds other than the 2006B Bonds.

* Preliminary, subject to change.

The 2004B Bonds to be refunded are shown in the following table*:

| Maturity Date | Amount Refunded | Interest Rate | Call Date | Call Price | CUSIP† |
|---|---|---|---|---|---|
| 8/1/19 | $ 665,000 | 5.000% | 8/1/18 | 100.000 | 724581 KY8 |
| 8/1/20 | 700,000 | 5.000 | 8/1/18 | 100.000 | 724581 KZ5 |
| 8/1/21 | 730,000 | 5.000 | 8/1/18 | 100.000 | 724581 LA9 |
| 8/1/22 | 770,000 | 5.000 | 8/1/18 | 100.000 | 724581 LB7 |
| 8/1/23 | 810,000 | 4.250 | 8/1/18 | 100.000 | 724581 LC5 |
| 8/1/24 | 845,000 | 4.375 | 8/1/18 | 100.000 | 724581 LD3 |
| 8/1/25 | 880,000 | 4.500 | 8/1/18 | 100.000 | 724581 LE1 |
| 8/1/26 | 920,000 | 4.750 | 8/1/18 | 100.000 | 724581 LF8 |
| 8/1/31 | 5,370,000 | 5.500 | 8/1/18 | 100.000 | 724581 LJ0 |
| 8/1/34 | 5,655,000 | 5.500 | 8/1/18 | 100.000 | 724581 LK7 |
| 8/1/39 | 13,365,000 | 5.625 | 8/1/18 | 100.000 | 724581 LL5 |

* Preliminary, subject to change.
† Copyright 2015, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the District and are included solely for the convenience of the registered owners of the Bonds.

## Debt Service Schedules

*2014A Bonds.* The following table shows the debt service schedule with respect to the 2014A Bonds (assuming no optional redemptions).

| Period Ending (August 1) | Principal* | Interest (1) | Total Debt Service |
|---|---|---|---|
| TOTAL | | | |

*Include sinking fund installments.

(1) Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2015.

*2015 Refunding Bonds.* The following table shows the debt service schedule with respect to the 2015 Refunding Bonds (assuming no optional redemptions).

| Period Ending (August 1) | Principal | Interest [(1)] | Total Debt Service |
|---|---|---|---|
| 2015 | | | |
| 2016 | | | |
| 2017 | | | |
| 2018 | | | |
| 2019 | | | |
| 2020 | | | |
| 2021 | | | |
| 2022 | | | |
| 2023 | | | |
| 2024 | | | |
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| TOTAL | | | |

(1) Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2015.

## PAYING AGENT

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

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

## BOOK-ENTRY-ONLY SYSTEM

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

## THE DISTRICT

### General Information

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

### Board of Trustees

The District is governed by the Board, consisting of five trustees. Members are elected to four-year terms in staggered years. Elections for positions to the Board are held every two years, alternating between two and three available positions. The day-to-day operations are managed by a board-appointed Superintendent of Schools.

**BOARD OF TRUSTEES**
**Pittsburg Unified School District**

| Name | Position | Expiration of Term |
|---|---|---|
| Duane Smith | President | December 2018 |
| Joe Arenivar | Vice President | December 2018 |
| Laura H. Canciamilla | Trustee | December 2016 |
| George H. Miller | Trustee | December 2016 |
| De'Shawn Woolridge | Trustee | December 2018 |

The administrative staff of the District includes Enrique E. Palacios, Deputy Superintendent, Business Services, Abe Doctolero, Assistant Superintendent, Educational Services; and Sally Clark, Assistant Superintendent, Human Resources.

## SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

*The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem taxes levied and collected by the County on taxable property in the District. The District's General Fund is not a source for the repayment of the Bonds.*

### General

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

### Property Taxation System

The collection of property taxes is significant to the District and the Owners of the Bonds in two respects. First, the County Board of Supervisors will levy and collect ad valorem taxes on all taxable parcels within the District which are pledged specifically to the repayment of the Bonds. Second, the general ad valorem property tax levied in accordance with Article XIIIA of the California Constitution and its implementing legislation is taken into account in connection with the State's Local Control Funding Formula ("LCFF") which determines the amount of funding received by the District from the State to operate the District's educational programs. The LCFF replaces revenue limit and most categorical program funding previously used to determine the amount of funding received by the District from the State with the LCFF which consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district's student demographic. See APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION—Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System." As described below, the general ad valorem property tax levy and the additional ad valorem property tax levy pledged to repay the Bonds will be collected on the annual tax bills distributed by the County to the owners of parcels within the boundaries of the District.

The District received approximately 16.6% of its total general fund operating revenues from local property taxes in fiscal year 2013-14.

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The County Treasurer-Tax Collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the Treasurer-Tax Collector, as ex officio treasurer of each school district located in the County, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on such bonds when due. Taxes on property in a school district whose boundaries extend into more than one county are administered separately by the county in which the property is located. The State Board of Equalization also assesses certain special classes of property, as described later in this section.

**Method of Property Taxation**

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

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

Local agencies and schools will share the growth of "base" sources from the tax rate area. Each year's growth allocation becomes part of each local agency's allocation in the following year. The availability of revenue from growth in the tax bases in such tax rate areas may be affected by the existence of redevelopment agencies (including their successor agencies) which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts $7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is supplemented by the State.

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to any delinquent payment. Property on the secured roll, with respect to which taxes are delinquent, becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the county treasurer.

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

**Assessed Valuations**

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution.

Certain classes of property, such as churches, colleges, not-for-profit hospitals and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions. Both the general ad valorem property tax levy and the additional ad valorem levy for the Bonds are based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and county taxing purposes. The valuation of secured property by the County Assessor is established as of January 1, and is subsequently equalized in September of each year.

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

The table below shows the assessed valuation in the District for fiscal years 2004-05 to 2014-15.

**HISTORIC ASSESSED VALUATIONS**
**Pittsburg Unified School District**
**Fiscal Years 2004-05 to 2014-15**

| Fiscal Year | Total Secured | Utility | Unsecured | Total Valuation |
|---|---|---|---|---|
| 2004-05 | $ 3,223,861,392 | $ 709,590,099 | $ 619,930,721 | $ 4,553,382,212 |
| 2005-06 | 3,577,608,962 | 638,929,753 | 669,093,872 | 4,885,632,587 |
| 2006-07 | 4,242,668,038 | 529,088,058 | 688,977,202 | 5,460,733,298 |
| 2007-08 | 4,466,682,189 | 493,394,418 | 650,336,655 | 5,610,413,262 |
| 2008-09 | 4,217,830,090 | 515,631,604 | 725,978,921 | 5,459,440,615 |
| 2009-10 | 3,351,118,609 | 500,377,913 | 807,626,999 | 4,659,123,521 |
| 2010-11 | 3,236,198,324 | 501,224,377 | 859,764,935 | 4,597,187,636 |
| 2011-12 | 3,126,856,773 | 484,367,412 | 947,875,978 | 4,559,100,163 |
| 2012-13 | 3,039,565,829 | 450,503,649 | 1,017,650,212 | 4,507,719,690 |
| 2013-14 | 3,220,808,398 | 388,428,500 | 1,004,604,067 | 4,613,840,965 |
| 2014-15 | 3,596,500,000 | 304,166,525 | 1,005,381,974 | 4,906,048,499 |

Source: California Municipal Statistics, Inc.

As indicated above, 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.

*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 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.

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

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, toxic dumping, acts of terrorism, etc., or reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). Lower assessed values could necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional bonds in the future might also cause the tax rate to increase.

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.

The following table shows the 2014-15 assessed valuation of each jurisdiction within the boundaries of the District:

**ASSESSED VALUATION BY JURISDICTION(1)**
**Pittsburg Unified School District**
**Fiscal Year 2014-15**

| Jurisdiction | Assessed Valuation in School District | % of School District | Assessed Valuation of Jurisdiction | % of Jurisdiction in School District |
|---|---|---|---|---|
| City of Pittsburg | $ 4,788,518,349 | 97.60% | $6,053,219,694 | 79.11% |
| Unincorporated Contra Costa County | 117,530,150 | 2.40 | 32,855,368,294 | .36 |
| Total District | 4,906,048,499 | 100.00 | | |
| | | | | |
| Contra Costa County | 4,906,048,499 | 100.00 | 160,469,862,791 | 3.06 |

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

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

**ASSESSED VALUATION AND PARCELS BY LAND USE**
**Pittsburg Unified School District**
**Fiscal Year 2014-15**

| | 2014-15 Assessed Valuation[1] | % of Total | No. of Parcels | % of Total |
|---|---|---|---|---|
| Non Residential: | | | | |
| Agricultural/Rural | $ 8,854,637 | .23% | 25 | .16% |
| Commercial | 191,519,559 | 4.91 | 271 | 1.72 |
| Vacant Commercial | 6,830,832 | .18 | 39 | .25 |
| Industrial | 576,541,583 | 14.78 | 154 | .98 |
| Vacant Industrial | 27,717,762 | .71 | 32 | .20 |
| Recreational | 192,132 | .00 | 1 | .01 |
| Government/Social/Institutional | 6,539,656 | .17 | 92 | .58 |
| Power Plants | 311,333,000 | 7.98 | 13 | .08 |
| Miscellaneous | 13,013,129 | .33 | 40 | .25 |
| Subtotal Non-Residential | 1,142,542,290 | 29.29 | 667 | 4.23 |
| Residential: | | | | |
| Single Family Residence | 2,374,735,682 | 60.88% | 13,390 | 84.88% |
| Condominium/Townhouse | 116,955,819 | 3.00 | 904 | 5.73 |
| Mobile Home | 5,032,762 | .13 | 288 | 1.83 |
| 2-4 Residential Units | 53,893,625 | 1.38 | 355 | 2.25 |
| 5+ Residential Units/Apartments | 204,552,280 | 5.24 | 58 | .37 |
| Vacant Residential | 2,954,067 | .08 | 113 | .72 |
| Subtotal Residential | 2,758,124,235 | 70.71 | 15,108 | 95.77 |
| Total | 3,900,666,525 | 100.00% | 15,775 | 100.00% |

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

The following table shows the assessed valuations of single-family homes for the District.

**ASSESSED VALUATION OF SINGLE FAMILY HOMES**
**Pittsburg Unified School District**
**Fiscal Year 2014-15**

| | No. of Parcels | 2014-15 Assessed Valuation | Average Assessed Valuation | Median Assessed Valuation |
|---|---|---|---|---|
| Single Family Residential | 13,390 | $ 2,374,735,682 | $ 177,351 | $ 171,000 |

| 2014-15 Assessed Valuation | No. of Parcels[(1)] | % of Total | Cumulative % of Total | Total Valuation | % of Total | Cumulative % of Total |
|---|---|---|---|---|---|---|
| $0 - $24,999 | 14 | .105% | .105% | $ 274,363 | .010% | .012% |
| $25,000 - $49,999 | 602 | 4.496 | 4.600 | 24,848,811 | 1.046 | 1.058 |
| $50,000 - $74,999 | 828 | 6.184 | 10.784 | 51,387,924 | 2.164 | 3.222 |
| $75,000 - $99,999 | 904 | 6.751 | 17.535 | 79,362,561 | 3.342 | 6.564 |
| $100,000 - $124,999 | 1,185 | 8.850 | 26.385 | 133,677,327 | 5.629 | 12.193 |
| $125,000 - $149,999 | 1,664 | 12.427 | 38.813 | 229,424,626 | 9.661 | 21.854 |
| $150,000 - $174,999 | 1,752 | 13.084 | 51.897 | 283,997,362 | 11.959 | 33.813 |
| $175,000 - $199,999 | 1,743 | 13.017 | 64.914 | 326,511,375 | 13.749 | 47.563 |
| $200,000 - $224,999 | 1,298 | 9.694 | 74.608 | 275,228,461 | 11.590 | 59.152 |
| $225,000 - $249,999 | 1,043 | 7.789 | 82.397 | 245,495,328 | 10.338 | 69.490 |
| $250,000 - $274,999 | 701 | 5.235 | 87.633 | 183,452,298 | 7.725 | 77.215 |
| $275,000 - $299,999 | 670 | 5.004 | 92.636 | 192,599,431 | 8.110 | 85.326 |
| $300,000 - $324,999 | 372 | 2.778 | 95.414 | 115,259,024 | 4.854 | 90.179 |
| $325,000 - $349,999 | 192 | 1.434 | 96.848 | 64,084,783 | 2.699 | 92.878 |
| $350,000 - $374,999 | 187 | 1.397 | 98.245 | 67,655,260 | 2.849 | 95.727 |
| $375,000 - $399,999 | 91 | .680 | 98.925 | 35,060,544 | 1.476 | 97.203 |
| $400,000 - $424,999 | 37 | .276 | 99.201 | 15,300,374 | .644 | 97.848 |
| $425,000 - $449,999 | 45 | .336 | 99.537 | 19,501,086 | .821 | 98.669 |
| $450,000 - $474,999 | 18 | .134 | 99.671 | 8,377,414 | .353 | 99.021 |
| $475,000 - $499,999 | 18 | .134 | 99.806 | 8,731,190 | .368 | 99.389 |
| $500,000 and greater | 26 | .194 | 100.000% | 14,506,140 | .611 | 100.000% |
| Total | 13,390 | 100.000% | | $2,374,735,682 | 100.000% | |

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

## 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 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 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 Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in the principal Tax Rate Area ("TRA") within the District from fiscal year 2010-11 to fiscal year 2014-15. TRA 7-004 comprises approximately 43.9% of the total assessed value of property in the District.

**DEFINITIONS AND SUMMARY OF AD VALOREM TAX RATES**
**Pittsburg Unified School District**
**Fiscal Years 2010-11 to 2014-15**

Total Tax Rates (TRA 7-004 – 2014-15 Assessed Valuation: $2,151,766,748)

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|---|---|---|---|---|
| County-wide Rate[1] | 1.0000% | 1.0000% | 1.0000% | 1.0000% | 1.0000% |
| Bay Area Rapid Transit District | .0031 | .0041 | .0043 | .0075 | .0045 |
| Contra Costa Community College District | .0133 | .0144 | .0087 | .0133 | .0252 |
| Pittsburg Unified School District | .0848 | .1443 | .1487 | .1391 | .1439 |
| East Bay Regional Park District | .0084 | .0071 | .0051 | .0078 | .0085 |
| Total All Property | 1.1096 | 1.1699 | 1.1668 | 1.1677 | 1.1821 |
| Total Land Only | .0049 | .0051 | .0045 | .0042 | .0037 |

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

### Tax Levies and Delinquencies

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

The following table reflects the historical secured tax levy and year-end delinquencies for general obligation bonds of the District from fiscal year 2008-09 to fiscal year 2013-14.

**SECURED TAX CHARGE AND DELINQUENCY**
**Pittsburg Unified School District**
**Fiscal Years 2008-09 to 2013-14**

| Fiscal Year | Secured Tax Charge[1] | Amount Delinquent as of June 30 | Percent Delinquent as of June 30 |
|---|---|---|---|
| 2008-09 | $ 2,649,861.72 | $ 145,038.33 | 5.47% |
| 2009-10 | 4,031,354.09 | 133,092.67 | 3.30 |
| 2010-11 | 3,123,729.04 | 53,034.98 | 1.70 |
| 2011-12 | 5,119,907.45 | 75,155.27 | 1.47 |
| 2012-13 | 5,102,094.30 | 54,743.04 | 1.07 |
| 2013-14 | 4,940,815.96 | 57,048.81 | 1.15 |

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

**Alternative Method of Tax Apportionment**

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

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

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

The District is not aware of any petitions for the discontinuance of the Teeter Plan in the County.

## Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2014-15, representing 26.85% of the District's total assessed valuation.

**LARGEST LOCAL SECURED TAXPAYERS**
**Pittsburg Unified School District**
**Fiscal Year 2014-15**

| | Property Owner | Primary Land Use | 2014-15 Assessed Valuation | % of Total(1) |
|---|---|---|---|---|
| 1. | USS Posco Industries | Industrial | $ 266,124,454 | 6.82% |
| 2. | Delta Energy Center LLC | Power Plant | 241,133,000 | 6.18 |
| 3. | Dow Chemical Company | Industrial | 117,809,252 | 3.02 |
| 4. | NRG Delta LLC | Power Plant | 70,200,000 | 1.80 |
| 5. | Kirker Creek LLC | Apartments | 68,407,616 | 1.75 |
| 6. | Sierra Pacific Properties Inc. | Apartments | 65,136,230 | 1.67 |
| 7. | Fund VIII PR Pittsburg LLC | Apartments | 26,681,903 | .68 |
| 8. | FAOF Presidents Park LLC | Apartments | 21,336,168 | .55 |
| 9. | Albert D. Seeno Construction Co. | Shopping Center | 20,199,808 | .52 |
| 10. | NPP Venture LLC | Shopping Center | 19,202,000 | .49 |
| 11. | RFI Portofino LLC | Apartments | 17,586,293 | .45 |
| 12. | Union Carbide Industrial Gases Inc. | Industrial | 16,145,237 | .41 |
| 13. | Wal-Mart Real Estate Business Trust | Shopping Center | 14,347,684 | .37 |
| 14. | Signode Corporation | Industrial | 13,973,581 | .36 |
| 15. | Public Storage Inc. | Industrial | 13,377,552 | .34 |
| 16. | Lonne Carr | Industrial | 12,978,972 | .33 |
| 17. | Contra Costa Waste Service Inc. | Industrial | 11,547,857 | .30 |
| 18. | Che Chen and Shu Fen Liu, Trustees | Apartments | 11,518,796 | .30 |
| 19. | Valero Logistics Operations | Industrial | 9,934,876 | .25 |
| 20. | RRM Enterprises | Industrial | 9,698,723 | .25 |
| | | | 1,047,340,002 | 26.85 |

Source: California Municipal Statistics, Inc.
(1) 2014-15 Local secured and utility assessed valuation: $3,900,666,525.

## Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith.

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

The first column in the table names each public agency which has outstanding debt as of February 1, 2015, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT**
**Pittsburg Unified School District**
**As of February 1, 2015**

PITTSBURG UNIFIED SCHOOL DISTRICT

2014-15 Assessed Valuation: $4,906,048,499

| DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: | % Applicable | Debt 2/1/15 |
|---|---|---|
| Bay Area Rapid Transit District | .875% | $ 5,519,456 |
| Contra Costa Community College District | 3.069 | 13,990,343 |
| **Pittsburg Unified School District** | **100.000** | **197,328,211**(1) |
| City of Pittsburg 1915 Act Bonds | 22.864 | 3,404,450 |
| East Bay Regional Park District | 1.343 | 2,384,832 |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | $222,627,292 |
| | | |
| DIRECT AND OVERLAPPING GENERAL FUND DEBT: | | |
| Contra Costa County General Fund Obligations | 3.057% | $ 8,386,063 |
| Contra Costa County Pension Obligation Bonds | 3.057 | 7,902,345 |
| Contra Costa Community College District Certificates of Participation | 3.069 | 21,483 |
| Contra Costa Fire Protection District Pension Obligation Bonds | 6.624 | 6,147,403 |
| **Pittsburg Unified School District Certificates of Participation** | **100.000** | **23,925,000** |
| City of Pittsburg Pension Obligation Bonds | 79.107 | 29,563,121 |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | $75,945,415 |
| Less: Contra Costa County General Fund Obligations supported by revenue funds | | (3,324,060) |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | $72,621,355 |
| | | |
| OVERLAPPING TAX INCREMENT DEBT (Successor Agency): | | $275,633,926 |
| | | |
| GROSS COMBINED TOTAL DEBT | | $574,206,633(2) |
| NET COMBINED TOTAL DEBT | | $570,882,573 |

Ratios to 2014-15 Assessed Valuation:

| | |
|---|---|
| **Direct Debt ($197,328,211)** | **4.02%** |
| Total Direct and Overlapping Tax and Assessment Debt | 4.54% |
| **Combined Direct Debt ($221,253,211)** | **4.51%** |
| Gross Combined Total Debt | 11.70% |
| Net Combined Total Debt | 11.64% |

Ratio to Redevelopment Incremental Valuation ($3,038,680,593):

| | |
|---|---|
| Total Overlapping Tax Increment Debt | 9.07% |

Source: California Municipal Statistics, Inc.
(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and non-bonded capital lease obligations.

## COUNTY INVESTMENT POOL

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

Each treasurer-tax collector is required to invest funds, including those pooled funds described above, in accordance with Section 53601 *et seq* of the California Government Code. In addition, each Treasurer-Tax Collector is required to establish an investment policy which may impose further limitations beyond those required by the California Government Code. A copy of the County investment policy and periodic reports on the County investment pool are available from the County Auditor-Controller, 625 Court Street, Finance Bldg. Martinez, CA 94553, Telephone: (925) 646-2181. It is not intended that such information be incorporated into this Official Statement by such references. Certain information concerning the County's pooled investment portfolio as of December 31, 2014, is included here in APPENDIX D—EXCERPTS FROM THE COUNTY INVESTMENT PORTFOLIO REPORT.

## LEGAL OPINIONS

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

## TAX MATTERS

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

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

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

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

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

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

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

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

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

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

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the District as a taxpayer and the Bond owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

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

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

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

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Bonds.

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

## MUNICIPAL ADVISOR

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

## VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Verification Agent will verify, from the information provided to it, the mathematical accuracy as of the date of the closing on the Bonds of computations relating to the adequacy of the proceeds of the Bonds to be deposited in the Escrow Funds for the defeasance of the Prior Bonds. The Verification Agent will also verify the yield of the Bonds and on the Escrow Securities to be deposited in the Escrow Funds upon the delivery of the Bonds. The Verification Agent will restrict its procedures to examining the arithmetical accuracy of certain computations and will not make a study or evaluation of the information and assumptions on which such computations are based and, accordingly, will not express an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

## CONTINUING DISCLOSURE

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

## LEGALITY FOR INVESTMENT IN CALIFORNIA

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

## ABSENCE OF MATERIAL LITIGATION

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

## RATING

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

## UNDERWRITING

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

The 2015 Refunding Bonds are being purchased by the Underwriter. The Underwriter has agreed to purchase the 2015 Refunding Bonds at a price of \$____________ (being equal to the aggregate principal amount of the 2015 Refunding Bonds (\$_____________), plus a net original issue premium (\$__________), less \$________ retained by the Underwriter to pay the Underwriter's discount. The purchase agreement relating to the 2015 Refunding Bonds provides that the Underwriter will purchase all of the 2015 Refunding Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions. In addition, the Underwriter will pay certain costs of issuance of the 2015 Refunding Bonds, as set forth in the 2015 Refunding Bond purchase agreement relating to the 2015 Refunding Bonds. The Underwriter may offer and sell 2015 Refunding Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

The Underwriter and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, have a distribution agreement enabling Pershing LLC to obtain and distribute certain municipal securities underwritten by or allocated to the Underwriter. Under the distribution agreement, the Underwriter will allocate a portion of received takedowns, fees or commissions to Pershing for bonds sold under the agreement.

## ADDITIONAL INFORMATION

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

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

PITTSBURG UNIFIED SCHOOL DISTRICT

By ______________________________

Enrique Palacios
Deputy Superintendent

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# APPENDIX A

# THE ECONOMY OF THE DISTRICT

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

## Introduction

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

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

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

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

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

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

## Population

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

**POPULATION**
**City of Pittsburg and Contra Costa County**

| Year | City of Pittsburg | Contra Costa County |
|---|---|---|
| 2011 | 63,733 | 1,056,306 |
| 2012 | 64,537 | 1,062,746 |
| 2013 | 65,291 | 1,074,317 |
| 2014 | 66,479 | 1,089,219 |
| 2015 | 67,628 | 1,102,871 |

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2011-2015, with 2010 Census Benchmark.

## Employment

The following table summarizes the historical numbers of workers by industry in Alameda County for the last five years:

**CONTRA COSTA COUNTY**
**Labor Force and Industry Employment**
**Annual Averages by Industry**

| | 2009 | 2010 | 2011 | 2012 | 2013(1) |
|---|---|---|---|---|---|
| Total, All Industries | 326,600 | 317,200 | 318,100 | 326,600 | 336,100 |
| Total Farm | 800 | 700 | 800 | 800 | 1,000 |
| Total Nonfarm | 325,900 | 316,500 | 317,300 | 325,800 | 335,100 |
| Goods Producing | 39,900 | 36,600 | 35,200 | 37,100 | 37,400 |
| Mining, Logging and Construction | 21,200 | 18,300 | 17,800 | 19,700 | 21,600 |
| Manufacturing | 18,700 | 18,300 | 17,400 | 17,400 | 15,800 |
| Service Providing | 286,000 | 279,900 | 282,000 | 288,700 | 297,800 |
| Trade, Transportation & Utilities | 57,300 | 55,900 | 56,500 | 57,400 | 58,100 |
| Information | 10,400 | 9,600 | 9,000 | 8,400 | 8,500 |
| Financial Activities | 25,700 | 25,300 | 24,800 | 25,300 | 25,300 |
| Professional & Business Services | 45,900 | 43,800 | 45,900 | 48,000 | 51,300 |
| Educational & Health Services | 52,900 | 53,000 | 53,500 | 55,700 | 58,700 |
| Leisure & Hospitality | 31,200 | 31,300 | 32,300 | 33,500 | 35,700 |
| Other Services | 11,700 | 11,800 | 12,400 | 12,400 | 12,100 |
| Government | 51,300 | 49,200 | 47,800 | 47,900 | 48,100 |

Source: California Employment Development Department, based on March 2015 benchmark.
Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.
(1) Last available full year data.

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

**CONTRA COSTA COUNTY, CALIFORNIA, and UNITED STATES**
**Civilian Labor Force, Employment, and Unemployment**
**(Annual Averages)**

| Year | Area | Labor Force | Employment | Unemployment | Unemployment Rate (1) |
|---|---|---|---|---|---|
| 2010 | Contra Costa County | 524,200 | 465,900 | 58,300 | 11.1% |
| | California | 18,316,400 | 16,051,500 | 2,264,900 | 12.4 |
| | United States | 153,889,000 | 139,064,000 | 14,825,000 | 9.6 |
| 2011 | Contra Costa County | 529,200 | 474,300 | 54,800 | 10.4% |
| | California | 18,384,900 | 16,226,600 | 2,158,300 | 11.7 |
| | United States | 153,617,000 | 139,869,000 | 13,747,000 | 8.9 |
| 2012 | Contra Costa County | 535,700 | 487,800 | 48,000 | 9.0% |
| | California | 18,494,900 | 16,560,300 | 1,934,500 | 10.5 |
| | United States | 154,975,000 | 142,469,000 | 12,506,000 | 8.1 |
| 2013 | Contra Costa County | 538,900 | 499,100 | 39,800 | 7.4% |
| | California | 18,596,800 | 16,933,300 | 1,663,500 | 8.9 |
| | United States | 155,389,000 | 143,929,000 | 11,460,000 | 7.4 |
| 2014(2) | Contra Costa County | 544,900 | 511,400 | 33,500 | 6.1% |
| | California | 18,811,400 | 17,397,100 | 1,414,300 | 7.5 |
| | United States | 155,922,000 | 146,305,000 | 9,617,000 | 6.2 |

Sources: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Averages 2010-2014 and US Bureau of Labor Statistics.
(1) Data not seasonally adjusted.
(2) Last available full year data.

**Major Employers**

The table below sets forth the ten principal employers of the County as of June 30, 2014.

**CONTRA COSTA COUNTY**
**2014 Major Employers**

| Rank | Company | Estimated Number of Employees | Percentage of Total County Employment |
|---|---|---|---|
| 1. | Chevron Corporation | 1,500 | .30% |
| 2. | Doctors Medical Center | 1,500 | .30 |
| 3. | John Muir Health | 1,223 | .24 |
| 4. | Texaco Inc. | 1,000 | .20 |
| 5. | Cks Employee Benefit Systems, Inc. | 984 | .19 |
| 6. | Contra Costa Newspapers, Inc. | 960 | .19 |
| 7. | DMC Foundation | 930 | .18 |
| 8. | St. Mary's College of California | 917 | .18 |
| 9. | Walmart Stores, Inc. | 759 | .15 |
| | Total | 9,773 | 1.93 |

Source: Contra Costa County 2014 CAFR.

**Construction Activity**

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

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

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Permit Valuation: | | | | | |
| New Single-family | $ 12,720 | $ 21,657 | $ 23,295 | $ 45,530 | $ 48,233 |
| New Multi-family | 9,715 | - | - | - | - |
| Res. Alterations/Additions | 2,243 | 3,083 | 1,902 | 2,810 | 1,984 |
| Total Residential | 24,678 | 24,741 | 25,197 | 48,340 | 50,217 |
| Total Nonresidential | 30,029 | 5,411 | 7,929 | 55,457 | 6,339 |
| Total All Building | 54,707 | 30,153 | 33,126 | 103,797 | 56,557 |
| New Dwelling Units: | | | | | |
| Single Family | 67 | 130 | 133 | 219 | 217 |
| Multiple Family | 111 | - | - | - | - |
| Total | 178 | 130 | 133 | 219 | 217 |

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

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

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Permit Valuation: | | | | | |
| New Single-family | $ 237,458 | $ 211,417 | $ 340,255 | $ 469,376 | $ 402,109 |
| New Multi-family | 106,555 | 47,304 | 54,884 | 62,799 | 82,008 |
| Res. Alterations/Additions | 209,044 | 233,174 | 179,471 | 195,787 | 256,617 |
| Total Residential | 553,058 | 491,896 | 574,612 | 727,963 | 740,735 |
| Total Nonresidential | 285,417 | 214,585 | 214,602 | 1,122,050 | 410,536 |
| Total All Building | 838,475 | 706,481 | 789,214 | 1,850,013 | 1,151,272 |
| New Dwelling Units: | | | | | |
| Single Family | 809 | 718 | 1,188 | 1,585 | 1,439 |
| Multiple Family | 890 | 355 | 949 | 370 | 588 |
| Total | 1,699 | 1,073 | 2,137 | 1,955 | 2,027 |

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

## Commercial Activity

Taxable sales in the City and County are shown below. Beginning in 2009, reports summarize taxable sales and permits using the NAICS codes. As a result of the coding change, however, industry-level data for 2009 are not comparable to that of prior years.

**TAXABLE SALES**
**City of Pittsburg**
**(in thousands)**

| | 2009 | 2010 | 2011 | 2012 | 2013(1) |
|---|---|---|---|---|---|
| Retail and Food Services | | | | | |
| Motor Vehicle and Parts Dealers | $ 70,612 | $ 71,207 | $ 79,917 | $ 83,523 | $ 106,771 |
| Home Furnishings and Appliance Stores | 23,528 | 21,701 | 20,332 | 11,419 | 7,870 |
| Bldg. Matrl. And Garden Equip. and Supplies | # | # | # | # | # |
| Food and Beverage Stores | 37,570 | 38,855 | 38,941 | 39,964 | 40,702 |
| Gasoline Stations | 47,863 | 57,213 | 65,142 | 70,601 | 69,516 |
| Clothing and Clothing Accessories Stores | 19,613 | 19,797 | 17,493 | 19,419 | 20,476 |
| General Merchandise Stores | 64,921 | 64,067 | 62,469 | 62,578 | 64,396 |
| Food Services and Drinking Places | 56,533 | 58,699 | 62,262 | 66,198 | 71,119 |
| Other Retail Group | 71,649# | 66,832# | 65,450# | 65,527# | 71,043# |
| Total Retail and Food Services | 392,290 | 398,371 | 412,006 | 419,230 | 451,893 |
| All Other Outlets | 209,597 | 115,757 | 168,086 | 331,143 | 155,448 |
| Totals All Outlets (4) | 601,887 | 514,129 | 580,091 | 750,373 | 607,341 |

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).
(1) Last available full year data.
(#) Sales omitted because their publication would result in the disclosure of confidential information.

**TAXABLE SALES**
**Contra Costa County**
**(in thousands)**

| | 2009 | 2010 | 2011 | 2012 | 2013[1] |
|---|---|---|---|---|---|
| Retail and Food Services | | | | | |
| Motor Vehicles and Parts Dealers | $ 1,184,803 | $ 1,234,844 | $ 1,372,234 | $ 1,650,526 | $ 1,823,019 |
| Furniture and Home Furnishings Stores | 225,331 | 227,432 | 240,863 | 260,102 | 277,477 |
| Electronics and Appliance Stores | 385,742 | 356,124 | 357,941 | 371,588 | 371,275 |
| Bldg Mtrl. and Garden Equip. and Supplies | 711,475 | 718,405 | 739,836 | 791,073 | 879,211 |
| Food and Beverage Stores | 657,337 | 673,326 | 692,641 | 725,277 | 748,131 |
| Health and Personal Care Stores | 264,279 | 264,011 | 277,662 | 293,030 | 303,182 |
| Gasoline Stations | 1,151,058 | 1,312,703 | 1,522,725 | 1,587,047 | 1,623,539 |
| Clothing and Clothing Accessories Stores | 642,813 | 663,243 | 702,573 | 773,210 | 825,235 |
| Sporting Goods, Hobby, Book and Music Stores | 314,924 | 304,491 | 303,397 | 302,051 | 312,720 |
| General Merchandise Stores | 1,380,111 | 1,406,756 | 1,443,317 | 1,505,629 | 1,525,347 |
| Miscellaneous Store Retailers | 397,297 | 382,048 | 396,831 | 420,581 | 427,955 |
| Nonstore Retailers | 47,224 | 46,613 | 50,078 | 87,720 | 180,980 |
| Food Services and Drinking Places | 1,111,182 | 1,126,398 | 1,200,318 | 1,294,601 | 1,378,947 |
| Total Retail and Food Services | 8,473,578 | 8,716,393 | 9,300,418 | 10,062,437 | 10,677,018 |
| All Other Outlets | 3,409,471 | 3,237,454 | 3,499,439 | 3,934,812 | 3,794,970 |
| Totals All Outlets[4] | 11,883,049 | 11,953,846 | 12,799,857 | 13,997,249 | 14,471,988 |

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).
(1) Last available full year data.

## Median Household Income

The following table summarizes the median household effective buying income for the City, the County, the State of California and the nation for the years 2010 through 2014.

**CITY, COUNTY, STATE AND UNITED STATES**
**Effective Buying Income**

| Year | Area | Total Effective Buying Income (000's Omitted) | Median Household Effective Buying Income |
|---|---|---|---|
| 2010 | City of Pittsburg | $ 1,119,470 | $ 47,119 |
| | Contra Costa County | 30,049,698 | 61,031 |
| | California | 801,393,028 | 47,177 |
| | United States | 6,365,020,076 | 41,368 |
| 2011 | City of Pittsburg | $ 1,070,722 | $ 47,065 |
| | Contra Costa County | 30,416,350 | 60,777 |
| | California | 814,578,457 | 47,062 |
| | United States | 6,438,704,663 | 41,253 |
| 2012 | City of Pittsburg | $ 1,147,795 | $ 45,645 |
| | Contra Costa County | 33,604,875 | 61,167 |
| | California | 864,088,827 | 47,307 |
| | United States | 6,737,867,730 | 41,358 |
| 2013 | City of Pittsburg | $ 1,217,355 | $ 46,498 |
| | Contra Costa County | 32,061,585 | 61,731 |
| | California | 858,676,636 | 48,340 |
| | United States | 6,982,757,379 | 43,715 |
| 2014 | City of Pittsburg | $ 1,285,713 | $ 48,893 |
| | Contra Costa County | 33,833,478 | 64,090 |
| | California | 901,189,699 | 50,072 |
| | United States | 7,357,153,421 | 45,448 |

Source: Nielsen Claritas, Inc.

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# APPENDIX B

# DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

*The information in this appendix concerning the operations of the District, the District's finances, and 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 and interest on the Bonds is payable from the general fund of the District or from State revenues. The 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 the County on property within the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the Official Statement.*

**Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System**

California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the State Legislature (the "Legislature") to school districts. Commencing with the Fiscal Year 2013-14, the State budget restructures the manner in which the State allocates funding for K-12 education. In Fiscal Year 2013-14, State legislation replaces the majority of revenue limit and categorical funding formulas with a new set of funding formulas. The Governor refers to the new funding formulas as the "Local Control Funding Formula" ("Local Control Funding Formula" or "LCFF"). The State budget provided funding in Fiscal Year 2013-14 to begin implementing the new formulas. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The new system provides a more uniform base per-pupil rate for each of several grade levels. The base rates are augmented by several funding supplements such as for (1) students needing additional services, defined as English learners, students from lower income families, and foster youth; and (2) school districts with high concentrations of English learners and lower income families. The new funding system requires school districts to develop local plans describing how the school district intends to educate its students. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION – 2014-15 State Budget" below.

Under the prior system, California Education Code Section 42238 and following, each school district is determined to have a target funding level: a "base revenue limit" per student multiplied by the school district's student enrollment measured in units of average daily attendance ("ADA"). The base revenue limit is calculated from the school 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 determined as 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 increase 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 exceed was base revenue limit is entitled to receive no State equalization aid, and receives only its special categorical aid, which was deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such school districts were known as "basic aid districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts."

The 2013-14 State Budget implemented the new Local Control Funding Formula school funding allocation system. The Local Control Funding Formula replaced revenue limit and most categorical program funding.

The Local Control Funding Formula is also based on enrollment. Enrollment can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs.

**Average Daily Attendance**

In the past, annual State apportionments of basic and equalization aid to school districts were computed based on a revenue limit per unit of ADA. Prior to Fiscal Year 1998-99, daily attendance numbers included students who were absent from school for an excused absence, such as illness. Effective in Fiscal Year 1998-99, only actual attendance is counted in the calculation of ADA. This change was essentially fiscally neutral for school districts which maintain the same excused absence rate. The rate per student was recalculated to provide the same total funding to school districts in the base year as would have been received under the old system. After Fiscal Year 1998-99, school districts which improved their actual attendance rate received additional funding.

As indicated above, commencing with the Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education using the Local Control Funding Formula. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The following table shows the District's enrollment, ADA and revenue limit revenues under the historical funding program and for 2013-14 and estimated 2014-15 revenues under the Local Control Funding Formula.

**Average Daily Attendance**

In the past, annual State apportionments of basic and equalization aid to school districts were computed based on a revenue limit per unit of ADA. Prior to Fiscal Year 1998-99, daily attendance numbers included students who were absent from school for an excused absence, such as illness. Effective in Fiscal Year 1998-99, only actual attendance is counted in the calculation of ADA. This change was essentially fiscally neutral for school districts which maintain the same excused absence rate. The rate per student was recalculated to provide the same total funding to school districts in the base year as would have been received under the old system. After Fiscal Year 1998-99, school districts which improved their actual attendance rate received additional funding.

As indicated above, commencing with the Fiscal Year 2013-14, the State budget restructures the manner in which the State allocates funding for K-12 education using the Local Control Funding Formula. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The first of the following two tables shows the District's enrollment, ADA and revenue limit per ADA for 2007-08 through 2012-13 under the historical funding program and for 2013-14 and estimated 2014-15 under the Local Control Funding Formula. The second of the two following tables shows the average daily attendance by grade year for purposes of the Local Control Funding Formula for Fiscal Years 2013-14 to 2014-15.

**AVERAGE DAILY ATTENDANCE,**
**REVENUE LIMIT/LCFF REVENUS AND ENROLLMENT**
**Pittsburg Unified School District**
**Fiscal Years 2007-18 to 2014-15**

| Fiscal Year | Average Daily Attendance[1] | Revenue Limit /LCFF Revenues per ADA[2] | Enrollment[3] |
|---|---|---|---|
| 2007-08 | 9,142 | 5,777 | 9,451 |
| 2008-09 | 8,958 | 5,853 | 9,581 |
| 2009-10 | 9,057 | 5,075 | 9,617 |
| 2010-11 | 9,384 | 5,519 | 9,973 |
| 2011-12 | 9,819 | 5,426 | 10,381 |
| 2012-13 | 10,009 | 5,400 | 10,560 |
| 2013-14 | 10,271 | 7,078 | 10,769 |
| 2014-15 | 10,531 | 8,003 | 10,970 |

Source: Pittsburg Unified School District
(1) Reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year.
(2) Deficit revenue limit funding, when provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for the given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State's practice of deficit revenue limit funding was most recently reinstated beginning in Fiscal Year 2008-09, and discontinued following the implementation of the LCFF.
(3) Enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS") in each school year.

## District Budget

The District is required by the provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. The budget process has been further amended by subsequent amendments, including Senate Bill 97, which became law on September 26, 2013 (requiring budgets to include sufficient funds to implement local control and accountability plans), Senate Bill 858, which became law on June 20, 2014 (requiring budgets' ending fund balances to exceed the minimum recommended reserve for economic uncertainties), and Assembly Bill 2585, which became State law on September 9, 2014 (eliminating the dual budget cycle option for school districts).

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a local control and accountability plan, and whether the budget's ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than September 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than October 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

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

The District's Second Interim Report for fiscal year 2014-15, adopted March 11, 2015, was certified as "Positive." The District has not received a qualified or negative certification in any of the last five years.

The following table shows the District's audited actual general fund for fiscal years 2012-13 and 2013-14 and the projected fiscal year totals contained in the District's second interim for 2014-15. For further information, see also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014.

**GENERAL FUND ACTUALS**
**Pittsburg Unified School District**
**Fiscal Years 2012-13 to 2014-15**

| | Fiscal Year | | |
|---|---|---|---|
| | 2012-13 Actual | 2013-14 Actual | 2014-15 Second Interim |
| Revenues: | | | |
| LCFF/Revenue limit sources[(1)] | $ 54,048,072 | $ 71,568,954 | $ 84,177,310 |
| Federal sources | 5,986,821 | 5,069,473 | 6,346,465 |
| Other State sources | 17,720,908 | 9,519,755 | 7,897,616 |
| Other Local sources | 5,771,895 | 6,249,377 | 7,851,722 |
| Total revenues | 83,527,696 | 92,407,559 | 106,273,113 |
| Expenditures: | | | |
| Certificated salaries | 39,206,350 | 41,129,486 | 44,817,705 |
| Classified salaries | 12,264,003 | 12,515,472 | 13,943,873 |
| Employee benefits | 17,688,758 | 17,499,238 | 18,990,514 |
| Books & supplies | 3,612,513 | 3,778,416 | 10,852,016 |
| Contract services & operating expenditures | 11,958,579 | 11,961,551 | 15,518,168 |
| Capital Outlay | 368,934 | 3,254,045 | 4,052,571 |
| Other Outgo | 255,021 | 402,629 | 246,980 |
| Indirect Cost | (373,052) | (343,430) | (395,066) |
| Total expenditures | 84,951,106 | 90,197,407 | 108,026,762 |
| Excess (deficiency) of revenues over expenditures | (1,423,410) | 2,210,152 | (1,753,649) |
| Other financing sources (uses): | | | |
| Operating transfers in | - | 6,166,791 | 1,786,700 |
| Operating transfers out | (3,130,421) | (3,963,909) | (4,555,445) |
| Other Sources | - | - | - |
| Total other financing sources (uses) | (3,130,421) | 2,202,882 | (2,768,744) |
| Net Change in Fund Balances | (4,553,831) | 4,413,034 | (4,522,394) |
| Adjusted Beginning Fund Balance | 13,545,677 | 8,991,846 | 13,404,880 |
| Ending Fund Balance | 8,991,846 | 13,404,880 | 8,882,486 |

Source: Pittsburg Unified School District Audited Financial Statements and 2nd Interim Report, adopted March 11, 2015.
(1) Revenue limit sources for fiscal years 2011-12 and 2012-13 and LCFF for fiscal years 2013-14 and 2014-15.

The following table shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2013-14 and 2014-15.

**ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE**
**Pittsburg Unified School District**
**Fiscal Years 2013-14 and 2014-15**
(Estimated Actuals)

| | Average Daily Attendance | | | | | | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | K-3 | 4-6 | 7-8 | 9-12 | Total District ADA | Total District Enrollment(2) | % of EL/LI Enrollment(3) |
| 2013-14 | 3,335.47 | 2,460.80 | 1,504386 | 3,013.60 | 10,314.73 | 10,769 | 86.5% |
| 2014-15 | 3,388.92 | 2,439.30 | 1,600.55 | 3,139.13 | 10,567.90 | 10,970 | 86.5% |

Sources: Pittsburg Unified School District
(1) Reflects P-2 ADA.
(2) Reflects CBEDS enrollment.
(3) 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 total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment will be based on the two-year average of EL/LI 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 district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among California school districts.

## Accounting Practices

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

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

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

## Financial Statements

The District's general fund finances the basic operating activities of the District. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2014, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the District, 155 North 3rd Street, Campbell, California, telephone number (925) 473-2300. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. For further information, see also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014.

**GENERAL FUND INCOME AND EXPENSE STATEMENT**
**Pittsburg Unified School District**
**Fiscal Years 2010-11 to 2013-14**

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14[1] |
| REVENUES | | | | |
| Revenue Limit Sources/LCFF[1]: | $ 51,789,070 | $ 53,277,831 | $ 54,048,072 | $ 71,568,954 |
| Federal Sources | 9,415,899 | 7,479,261 | 5,986,821 | 5,069,473 |
| Other State Sources | 19,442,164 | 19,418,061 | 19,535,057 | 11,453,642 |
| Other Local Sources | 5,208,679 | 5,408,334 | 5,782,035 | 6,260,710 |
| Total Revenues | 85,855,812 | 85,583,487 | 85,351,985 | 94,352,779 |
| | | | | |
| EXPENDITURES | | | | |
| Instruction | 53,280,537 | 54,493,068 | 56,019,094 | 57,576,285 |
| Supervision of instruction | 1,908,139 | 2,001,429 | 2,168,912 | 3,040,769 |
| Library, media and technology | 596,738 | 604,166 | 723,520 | 722,034 |
| School Site Administration | 5,525,863 | 6,430,599 | 7,139,139 | 6,844,689 |
| Pupil services: | | | | |
| Home-to-school transportation | 1,388,542 | 1,359,579 | 1,289,036 | 1,442,188 |
| Food services | - | 5 | - | - |
| All other pupil services | 3,354,469 | 3,684,249 | 4,060,792 | 4,615,638 |
| Other administration – data processing | 622,732 | 734,503 | 752,819 | 2,648,199 |
| Other administration – general administration | 3,604,748 | 3,651,499 | 5,182,840 | 4,350,470 |
| Plant services | 8,613,784 | 6,716,718 | 8,757,835 | 8,818,621 |
| Facility acquisition and construction | 77,064 | 172,585 | 177,992 | 1,202,698 |
| Ancillary services | 258,191 | 299,170 | 266,612 | 403,818 |
| Other outgo | 16,530 | 35,156 | 44,420 | 63,256 |
| Transfers to other agencies | 38,416 | 42,081 | 225,021 | 402,629 |
| Total Expenditures | 79,286,567 | 80,224,807 | 86,808,032 | 92,131,294 |
| | | | | |
| Net Change in Fund Balances | 6,569,245 | 5,358,680 | (1,456,047) | 2,221,485 |
| | | | | |
| OTHER FINANCING SOURCES | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers out | (2,913,155) | (1,897,766) | (1,955,421) | (3,363,909) |
| Total financing sources (uses) | (2,913,155) | (1,897,766) | (1,955,421) | (3,363,909) |
| | | | | |
| Net change in fund balances | 3,656,090 | 3,460,914 | (3,411,468) | (1,412,424) |
| | | | | |
| Fund Balance, July 1 | 12,628,101 | 16,284,191 | 19,745,105 | 16,333,637 |
| Fund Balance, June 30 | 16,284,191 | 19,745,105 | 16,333,637 | 15,191,213 |

Source: Pittsburg Unified School District audited financial statements.
(2) Beginning in FY2013-14 the Local Control Funding Formula (LCFF) has replaced the prior revenue limit system of funding.

## Summary of District Revenues and Expenditures

See "District Budget" for a general description of the annual budget process for California school districts. The District's audited financial statements for the year ending June 30, 2014, are reproduced in Appendix C. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June

30 is required by State law to be approved by the District Board by September 15, and the audit report must be filed with the County Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 3% of its total general fund expenditures, based on total student attendance below 30,000. For fiscal year 2014-15, the District has budgeted an unrestricted general fund reserve of 6.90%, or approximately $7.45 million. Substantially all funds of the District are required by law to be deposited with and invested by the County Treasurer-Tax Collector on behalf of the District, pursuant to law and the investment policy of the County. See "APPENDIX D – COUNTY INVESTMENT REPORT."

*Local Control Funding Formula*. The State Constitution requires that from all State revenues there will be funds set aside to be allocated by the State for support of the public school system and public institutions of higher education. As discussed below, school districts in the State receive a significant portion of their funding from these State allocations. The general operating income of school districts in California is comprised of two major components: (i) a State portion funded from the State's general fund, and (ii) a local portion derived from the District's share of the 1% local ad valorem tax authorized by the State Constitution. School districts may also be eligible for special categorical and grant funding from State and federal government programs.

As part of the State Budget for Fiscal Year 2013-14 (the "2013-14 State Budget"), State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97") was enacted to establish a new system for funding State school districts, charter schools and county offices of education by the implementation of the Local Control Funding Formula or LCFF. This formula replaced the 40-year revenue limit funding system for determining State apportionments and the majority of categorical programs. Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013 Chapter 49). The LCFF consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district student demographic. Each school district and charter school will receive a per pupil base grant used to support the basic costs of instruction and operations. The implementation of the LCFF is to occur over a period of several years. Beginning in fiscal year 2013-14 an annual transition adjustment is to be calculated for each individual school district, equal to such district's proportionate share of appropriations included in the State Budget. The Governor's Department of Finance estimates the LCFF funding targets could be achieved in eight years, with LCFF being fully implemented by 2020-21.

The LCFF includes the following components:

- An average base grant for each local education agency equivalent to $7,643 per unit of ADA (by the end of the implementation period). 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 high schools. It should be noted that the authorizing LCFF statute, AB 97, provides for a differentiated base grant amount according to four different grade spans: K-3, 4-6, 7-8, and 9-12. Unless otherwise collectively bargained for, following full implementation of the LCFF, school districts must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site by the target year so as to continue receiving its adjustment to the K-3 base grant.
- A 20% supplemental grant for students classified as English learners ("EL"), those eligible to receive a free or reduced price meal ("FRPM") and foster youth, to reflect increased costs associated with educating those students. These supplemental grants are only attributed to each

eligible student once, and the total student population eligible for the additional funding is known as an "unduplicated count."

- An additional concentration grant equal to 50% of a local education agency's base grant, based on the number of unduplicated EL, FRPM and foster youth served by the local agency that comprise more than 55% of the school district's or charter school's total enrollment.

Of the more than $25 billion in 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 2013-14 State Budget, the target average base grant was $7,643, which was an increase of $2,375 from the prior year's average revenue limit. Base grants are to be adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among base grants are linked to differentials in Statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in Fiscal Year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% cost of living adjustment in Fiscal Years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The sum of a school district's adjusted base, supplemental and concentration grants will be multiplied by such district's Second Principal Apportionment (P-2) ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with categorical block grant add-ons, will yield a school district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and the individual school district's share of applicable local property taxes allocations. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues in a particular year may significantly affect appropriations made by the State Legislature to school districts.

The new legislation includes a "hold harmless" provision which provides that a school district or charter school will maintain total revenue limit and categorical funding at its Fiscal Year 2012-13 level, unadjusted for changes in ADA, or cost of living adjustments.

A summary of the target LCFF funding amounts for California school districts and charter schools based on grade levels and targeted students classified as English learners, those eligible to receive a free or reduced price meal, foster youth, or any combination of these factors ("unduplicated" count) is shown below:

**CALIFORNIA SCHOOL DISTRICTS AND CHARTER SCHOOLS**
**GRADE SPAN FUNDING AT FULL LCFF IMPLEMENTATION**
**LOCAL CONTROL TARGET FUNDING FORMULA 2014-15**

| Grade Levels | Base Grants | Grade Span Adjustments | Supplemental Grant | Concentration Grant | Total per ADA |
|---|---|---|---|---|---|
| TK-3 | $ 7,011 | $ 729 | $ 1,424 | $ 1,432 | $ 10,596 |
| 4-6 | 7,116 | - | 1,309 | 1,317 | 9,742 |
| 7-8 | 7,328 | - | 1,348 | 1,356 | 10,032 |
| 9-12 | 8,491 | 221 | 1,603 | 1,612 | 11,927 |

Source: California Department of Education

Beginning July 1, 2015, school districts are required to develop a three-year Local Control and Accountability Plan (each, a "LCAP"). County Superintendent of Schools and the State Superintendent of Public Instruction will review and provide support to school districts and county offices of education under their jurisdiction. In addition, the Fiscal Year 2013-14 State Budget created the California Collaborative for Education Excellence (the "Collaborative") to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. The State Superintendent of Public Instruction may direct the Collaborative to provide additional assistance to any district, county office, or charter school. For those entities that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction has authority to make changes to school district or county office's local plan. For charter schools, the charter authorizer will be required to consider revocation of a charter if the Collaborative finds that the inadequate performance is so persistent and acute as to warrant revocation. The State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

*Federal Sources.* The federal government provides funding for several school district programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Education for Economic Security, and the free and reduced lunch program.

*Other State Sources.* In addition to LCFF revenues, the District receives substantial other State revenues.

These other State revenues are primarily restricted revenue funding items such as the Special Education Master Plan, Economic Impact Aid, Class Size Reduction Program, Tier 3 Funding and home-to-school transportation.

Other State revenues include the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research.

*Other Local Sources*. In addition to property taxes, the District receives additional local revenues from items such as leases and rentals, interest earnings, transportation fees, interagency services, and other local sources.

## District Expenditures

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

*Labor Relations*. Currently the District employs 565 full-time equivalent (FTE) certificated employees, 353 FTE classified employees and 79 management employees. There are two formal bargain units operating in the District which are described in the table below. The parties are currently operating under the terms of the prior contracts.

**LABOR ORGANIZATIONS**
**Pittsburg Unified School District**

| Labor Organization | Contract Expiration |
|---|---|
| Pittsburg Teachers Association | June 30, 2017 |
| California Schools Employees Association | June 30, 2017 |

Source: Pittsburg Unified School District

## Retirement Programs

*Information set forth below regarding the District's retirement programs has been obtained from the District's most recent audited financial statements, included here as APPENDIX C.*

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

## California Public Employees' Retirement System (CalPERS)

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

*Funding Policy*. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act

(PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2014 was 11.442% of annual payroll. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were $1,660,762, $1,632,143, and $1,470,754, respectively, and equal 100 percent of the required contributions for each year.

**State Teachers' Retirement System (CalSTRS).**

*Plan Description*. The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

*Funding Policy*. Active plan members are required to contribute 8.0% of their salary for fiscal year 2014 and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2014, 2013, and 2012, were $3,366,028, $3,268,075, and $3,065,827, respectively, and equal 100 percent of the required contributions for each year.

*On-Behalf Payments*. The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $1,933,887 to CalSTRS (5.204% of 2011-12 creditable compensation subject to CalSTRS).

*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.

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014, Note 11.

**Post-Employment Health Care Plan and Other Postemployment Benefits (OPEB) Obligation**

*Plan Description*. The District administers a single-employer defined benefit other postemployment benefit (OPEB) plan (the "plan") that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 207 retirees currently receiving benefits and 1,018 active plan members.

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

As of June 30, 2014, the District has established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors with plan assets of $776,934 as of the date of the actuarial study.

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

**OPEB OBLIGATIONS**
**Pittsburg Unified School District**
**Fiscal Year 2013-14**

| | |
|---|---|
| Annual required contribution | $ 1,981,340 |
| Interest on net OPEB obligation | 280,142 |
| Adjustment to annual required contribution | (364,473) |
| Annual OPEB cost (expense) | 1,897,009 |
| Contributions made | (1,303,596) |
| Increase in net OPEB obligation | 593,413 |
| Net OPEB obligation, beginning of the year | 5,602,839 |
| Net OPEB obligation, end of the year | 6,196,252 |

Source: Pittsburg Unified School District 2014 Annual Report

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset/obligation is as follows:

**HISTORICAL OPEB OBLIGATIONS**
**Pittsburg Unified School District**
**Fiscal Years 2011-12 to 2013-14**

| Fiscal Year | Annual OPEB Cost | Percentage Contributed | Net OPEB Obligation |
|---|---|---|---|
| 2014-13 | $ 1,897,009 | 69% | $ 6,196,252 |
| 2013-12 | 2,252,811 | 30 | 5,602,839 |
| 2012-11 | 2,273,827 | 39 | 4,016,213 |

Source: Pittsburg Unified School District 2014 Annual Report

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

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014, Note 11.

**District Debt Structure**

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

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

The District received authorization to issue $100 million at an election held on November 2, 2010. The District has issued four series of bonds under the 2010 authorization for a total of approximately $80.5 million, leaving $19.5 million of bonds authorized but not yet issued under the 2010 authorization.

The District issued refunding bonds in 2005 which advanced refunded outstanding 1995 Series C and 1995 Series E bonds.

The District issued refunding bonds in 2010 which refunded outstanding 1995 Series D bonds.

The District issued refunding bonds in 2012 which refunded 2003 Refunding Bonds and advance refunded a portion of the 2011 Series A bonds.

The District issued refunding bonds in 2014 which refunded a portion of the District's Election of 2004, Series A Bonds and all of the District's 2005 Refunding Bonds.

The following table shows all outstanding District general obligation bonds:

**Outstanding General Obligation Bonds**

| | Date | Series Name | Original Principal Amount | Current Outstanding Amount (As of 5/1/15) |
|---|---|---|---|---|
| Election of 2004 | 3/23/2005 | Series A [(1)] | $ 17,100,000 | $ 995,000 |
| | 6/26/2006 | Series B | 13,350,000 | 11,725,000 |
| | 10/10/2007 | Series C | 10,050,000 | 8,350,000 |
| | | | $ 40,500,000 | $ 21,070,000 |
| Election of 2006 | 10/10/2007 | Series A | $ 15,000,000 | $ 10,110,000 |
| | 5/27/2009 | Series B | 35,000,000 | 32,960,000 |
| | 7/14/2011 | Series C | 35,000,000 | 34,095,027 |
| | | | $ 85,000,000 | $ 77,165,027 |
| Election of 2010 | 7/14/2011 | Series A | $ 24,999,952 | $ 17,437,227 |
| | 8/7/2012 | Series B | 25,000,000 | 25,000,000 |
| | 8/21/2012 | Series C | 18,003,211 | 18,003,211 |
| | 4/22/201 | Series D | 12,500,000 | 12,500,000 |
| | | | $ 80,503,163 | $ 72,940,438 |
| Refunding Bonds | 3/25/2010 | 2010 Refunding Bonds | $ 6,810,000 | $ 4,990,000 |
| | 8/7/2012 | 2012 Refunding Bonds | 13,262,000 | 12,285,000 |
| | 8/7/2012 | 2014 Refunding Bonds | 9,985,000 | 9,385,000 |
| | | | $ 28,637,000 | $ 26,660,000 |
| Total | | | $222,140,163 | $197,835,465 |

[(1)] Current outstanding amount includes bonds expected to be refunded by the 2015 Refunding Bonds.

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

| Year Ending August 1 | Election of 2004 Bonds [(1)] | Election of 2006 Bonds | Election of 2010 Bonds [(1)(2)] | Refunding Bonds [(1)] | Total Annual Debt Service |
|---|---|---|---|---|---|
| 2015 | $ 1,550,627.51 | $ 2,253,118.13 | $ 2,333,518.75 | $ 2,075,150.00 | $ 8,212,414.39 |
| 2016 | 2,080,530.02 | 3,662,373.76 | 4,319,337.50 | 2,600,650.00 | 12,662,891.28 |
| 2017 | 1,560,405.02 | 3,772,973.76 | 4,203,837.50 | 3,093,675.00 | 12,630,891.28 |
| 2018 | 1,581,805.02 | 3,882,173.76 | 4,098,337.50 | 3,137,075.00 | 12,699,391.28 |
| 2019 | 1,665,698.76 | 3,998,523.76 | 4,002,837.50 | 3,161,675.00 | 12,828,735.02 |
| 2020 | 1,694,861.26 | 4,122,473.76 | 4,056,837.50 | 3,195,575.00 | 13,069,747.52 |
| 2021 | 1,730,276.26 | 4,248,408.76 | 4,125,337.50 | 2,852,175.00 | 12,956,197.52 |
| 2022 | 1,762,128.76 | 4,381,538.76 | 4,218,087.50 | 2,605,225.00 | 12,966,980.02 |
| 2023 | 1,785,528.76 | 4,516,576.26 | 4,279,087.50 | 2,238,225.00 | 12,819,417.52 |
| 2024 | 1,815,073.76 | 4,659,576.26 | 4,355,087.50 | 1,571,100.00 | 12,400,837.52 |
| 2025 | 1,849,967.50 | 4,808,763.76 | 14,075,087.50 | 1,330,850.00 | 22,064,668.76 |
| 2026 | 1,880,906.26 | 4,959,226.26 | 4,108,150.00 | 1,367,550.00 | 12,315,832.52 |
| 2027 | 1,922,271.26 | 5,118,751.26 | 4,199,900.00 | 1,462,150.00 | 12,703,072.52 |
| 2028 | 1,950,321.26 | 5,287,776.26 | 4,294,900.00 | 1,499,750.00 | 13,032,747.52 |
| 2029 | 1,986,296.26 | 5,457,701.26 | 4,388,650.00 | 1,552,500.00 | 13,385,147.52 |
| 2030 | 2,071,615.00 | 5,637,401.26 | 4,476,150.00 | — | 12,185,166.26 |
| 2031 | 707,700.00 | 5,826,606.26 | 4,576,525.00 | — | 11,110,831.26 |
| 2032 | 707,062.50 | 6,020,568.76 | 4,695,650.00 | — | 11,423,281.26 |
| 2033 | — | 6,224,331.26 | 4,777,525.00 | — | 11,001,856.26 |
| 2034 | — | 6,431,356.26 | 20,257,525.00 | — | 26,688,881.26 |
| 2035 | — | 6,651,781.26 | 6,550,075.00 | — | 13,201,856.26 |
| 2036 | — | 6,877,343.76 | 6,781,875.00 | — | 13,659,218.76 |
| 2037 | — | 7,115,312.50 | 7,015,075.00 | — | 14,130,387.50 |
| 2038 | — | 7,360,406.26 | 7,256,075.00 | — | 14,616,481.26 |
| 2039 | — | 7,617,062.50 | 7,504,675.00 | — | 15,121,737.50 |
| 2040 | — | 7,885,000.00 | 7,770,800.00 | — | 15,655,800.00 |
| 2041 | — | 8,160,000.00 | 7,994,450.00 | — | 16,154,450.00 |
| 2042 | — | 8,450,000.00 | 8,284,200.00 | — | 16,734,200.00 |
| 2043 | — | 8,745,000.00 | 8,577,891.40 | — | 17,322,891.40 |
| 2044 | — | 9,060,000.00 | 6,680,354.85 | — | 15,740,354.85 |
| 2045 | — | 9,380,000.00 | 6,926,982.60 | — | 16,306,982.60 |
| 2046 | — | 9,720,000.00 | 7,187,456.00 | — | 16,907,456.00 |
| 2047 | — | — | 7,454,450.00 | — | 7,454,450.00 |
| 2048 | — | — | 7,725,692.55 | — | 7,725,692.55 |
| 2049 | — | — | 8,012,908.50 | — | 8,012,908.50 |
| 2050 | — | — | 8,312,184.40 | — | 8,312,184.40 |
| 2051 | — | — | 8,624,097.75 | — | 8,624,097.75 |
| 2052 | — | — | 8,944,450.00 | — | 8,944,450.00 |
| TOTAL | $30,303,075.17 | $192,292,125.85 | $247,446,061.80 | $33,743,325.00 | $503,784,587.82 |

(1) Does not reflect the debt service following the issuance of the Bonds.
(2) The debt service for the Election of 2010 Bonds reflects the federal subsidy payments expected to be received by the District in connection with the Election of 2010, Series B Bonds issued as qualified school constriction bonds.

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

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

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

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

### Article XIIIA of the California Constitution

Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (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. The tax for payment of the District's bonds approved at the 2004, 2006 and 2010 elections falls within the exception for bonds approved by a 55% vote.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. 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 restored value of the damaged property. The State courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the District.

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

**Legislation Implementing Article XIIIA**

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

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

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

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

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

**Article XIIIB of the California Constitution**

Article XIIIB of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines

(a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year, and
(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government will be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

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

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

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

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it will be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution.

**Unitary Property**

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

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

**California Lottery**

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

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In 2014-15, the District budgets to receive $1,630,000 in State Lottery aid, representing approximately 1.53% of the District's general fund revenues. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

**Proposition 46**

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

**Proposition 39**

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

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

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

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

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

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

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

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

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

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

**Propositions 98 and 111**

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

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

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

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

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

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

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

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

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

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

**Proposition 30**

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

The revenues generated from the temporary tax increases are included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

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

**Future Initiatives**

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

## GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

**State Funding of Education; State Budget Process**

*General.* As is true for all school districts in the State, the District's operating income consists primarily of two components: a State portion funded from the State's general fund and a locally-generated portion derived from the District's share of the 1% county-wide *ad valorem* property tax authorized by the State Constitution. School districts may be eligible for other special categorical funding, including for State and federal programs. Because the District's legal minimum funding level is expected to be met from local property taxes alone, the District does not project receipt of any general operating funds from the State in fiscal year 2013-14. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may affect District operations, though generally to a lesser extent than these may affect most school districts.

State funding is guaranteed to a minimum level for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. The funding guarantee is known as "Proposition 98," a constitutional and statutory initiative 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 State Constitution).

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 at the heart of annual budget negotiations and adjustments.

*Adoption of Annual State Budget.* According to the State Constitution, the Governor of the State (the "Governor") must propose a budget to the State Legislature no later than January 10 of each year. Under an initiative constitutional amendment approved by the State's voters on November 2, 2010 as "Proposition 25", a final budget must be adopted by a majority vote (rather than a two-third majority, as was the case prior to the passage of Proposition 25) of each house of the Legislature no later than June 15, although this deadline has been breached in the past. Any tax increase provision of such final budget shall continue to require approval by a two-thirds majority vote of each house of the State Legislature. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. 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 2014-15 Budget on June 20, 2014.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each 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 State 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. The State Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website: www.sco.ca.gov. Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues.

*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, and 2009, 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 (QEIA), 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 one fiscal year to the next; by permanently deferring the year-end apportionment from June 30 to July 2; by suspending Proposition 98, and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

**Recent State Budgets**

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

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

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

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

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

*Prior Years' Budgeting Techniques*. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2014-15 Budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 6, 2012 statewide election, as well as other spending cuts, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State Budget again be stressed and if projections included in such budget do not materialize.

**2014-15 State Budget**

On June 20, 2015, the Governor signed into law the State budget for fiscal year 2014-15 (the "2014-15 Budget"). The following information is drawn from the State Department of Finance's summary of the 2014-15 Budget.

The 2014-15 Budget is based on revenue projections previously included in the Governor's May revision to the proposed budget for fiscal year 2014-15. For fiscal year 2013-14, the 2014-15 Budget projects total State general fund revenues of $102.2 billion, and total State general fund expenditures of $100.7 billion. The 2014-15 Budget projects that the State will end the 2013-14 fiscal year with a $2.9 billion general fund surplus. For fiscal year 2014-15, the 2014-15 Budget projects total State general fund revenues of $109.4 billion and total State general fund expenditures of $108 billion, leaving the State with a projected general fund surplus for fiscal year 2014-15 of approximately $2.1 billion. This projected reserve is a combination of $449 million in the State's general fund traditional reserve, and an authorized deposit of $1.6 billion into the Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

The 2014-15 Budget includes total funding of $76.6 billion (comprised of $45.3 billion from the State general fund and $31.3 billion from other funds) for all K-12 education programs. For fiscal year 2014-15, the Proposition 98 minimum funding guarantee is set at $60.9 billion, an increase of $5.6 billion over the amount included in the fiscal year 2013-14 State budget. When combined with increases of $4.4 billion in fiscal years 2012-13 and 2013-14, the 2014-15 Budget provides a $10 billion increased investment in K-14 education. The 2014-15 Budget projects that Proposition 98 funding for K-12 education will grow 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.

Significant features of the 2014-15 Budget related to the funding of K-12 education include the following:

- *Teacher Pensions* – The 2014-15 Budget includes a plan of shared responsibility among the State, school districts and community college districts, and teachers to eliminate the approximately $74.4 billion of unfunded CalSTRS liability in approximately 30 years. For fiscal year 2014-15, the plan directs $276 million in additional contributions from all three entities. Under the plan, (i) teacher contributions will increase from 8% to a total of 10.25% of pay, phased in over the next three years; (ii) school district and community college district contributions will increase from 8.25% to 19.1% of payroll, phased in over the next seven years; and (iii) the State contributions will increase from approximately 3% to 6.3% of payroll, phased in over the next three years, and the State will continue to pay 2.5% of payroll annually for a supplemental inflation protection program, for a total contribution of 8.8% of payroll in fiscal year 2016-17 and ongoing. The plan also provides the CalSTRS board with limited authority to (i) increase State, school district and community college district contributions based on changing conditions, and (ii) reduce school district and community college district contributions if they are no longer necessary.

- *Local Control Funding Formula* – An increase of $4.75 billion in Proposition 98 funding to continue the transition to the LCFF. This increase is projected to close the remaining funding implementation gap between fiscal year 2013-14 funding levels and the LCFF target funding levels by more than 29%. The 2014-15 Budget also 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. See also "DISTRICT FINANCIAL INFORMATION – Summary of District Revenues and Expenditures – Local Control Funding Formula" herein.

- *K-12 Deferrals* – Repay nearly $4.7 billion in Proposition 98 funding for K-12 expenses that had been deferred from one year to the next during the recession, leaving an outstanding balance of less than $900 million in K-12 deferrals at the end of fiscal year 2014-15. The 2014-15 Budget also includes a trigger mechanism that will appropriate any additional funding resources attributable to fiscal years 2013-14 and 2014-15 subsequent to the enactment of the 2014-15 Budget in order to retire the remaining deferral balance.

- *Independent Study* – The 2014-15 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 funding to reimburse K-12 local educational agencies for the costs of State-mandated programs.

- *K-12 High- Speed Internet Access* – An increase of $26.7 million in one-time Proposition 98 funding for the K-12 High Speed Network to provide technical assistance and grants to K-12 local educational agencies required to successfully implement Common Core. These funds will be targeted to those K-12 local educational agencies most in need of help with securing internet connectivity and infrastructure required 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 funding to support competitive grants for participating K-14 local educational agencies. The Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools, and community colleges.

- *Potential Cap on School District Reserves* – Commencing with budgets adopted by a K-12 school district for the 2015–16 fiscal year, AB 1463, a trailer bill on K-12 issues passed in connection with the 2014-15 Budget, requires a school district that proposes to adopt or revise a budget that results in a combined assigned or unassigned ending fund balance exceeding that school district's respective minimum reserve for economic uncertainties amount, as set forth in the State Board of Education's annually-issued criteria and standards for reviewing school district interim reports, to provide at a public hearing, among other things, a statement of reasons that substantiates the need for the balance, and requires the respective county superintendent of schools, when making the required determinations, to also determine whether a school district's adopted or revised budget includes a such a balance. Due to the passage of California Proposition 44 (the "Rainy Day Budget Stabilization Fund Act") on the November 4, 2014 statewide ballot, AB 1463 provides that, in any fiscal year immediately after which a transfer is made by the State into the Public School System Stabilization Account, a new reserve fund for Proposition 98 that is created by the Rainy Day Budget Stabilization Fund Act, a school district's adopted or revised budget shall be prohibited from containing a combined assigned or unassigned ending fund balance that is in excess of either two or three times that school district's respective annual minimum recommended reserve for economic uncertainties amount, as established by the State Board of Education. AB 1463 further authorizes the respective county superintendent of schools to waive the prohibition, pursuant to specified conditions, for up to two consecutive fiscal years within a three-year period, if a school district provides documentation indicating that extraordinary fiscal circumstances substantiates the need for the balance.

For additional information regarding the State's budgets and revenue projections and a more detailed description of the 2014-15 Budget, see the State Department of Finance website at www.dof.ca.gov. However, the information presented on such website is not incorporated herein by reference.

*Future Actions*. The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. Continued State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District.

*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 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. 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.

**2015-16 Proposed State Budget**

On January 9, 2015, the Governor released his proposed State budget for Fiscal Year 2015-16 (the "2015-16 Proposed Budget"). The 2015-16 Proposed Budget proposed $65.7 billion with respect to the Proposition 98 minimum funding guarantee for Fiscal Year 2013-14. For Fiscal Year 2014-15, the Proposition 98 minimum funding guarantee was proposed to be revised to $63.2 billion, an increase of $18.4 billion in four years from the low of $47.3 billion in Fiscal Year 2011-12 and an increase of $2.3 billion over the Fiscal Year 2014-15 Budget Act amount of $60.9 billion for Proposition 98 guarantee levels. The Proposed Budget allocates an increase of more than $2,600 per student in Fiscal Year 2015-16 over 2011-12 levels for K-12 education. The 2015-16 Proposed Budget utilizes the funding to implement the LCFF in advance of earlier estimates. The 2015-16 Proposed Budget sets the minimum funding guarantee for Fiscal Year 2015-16, at $65.7 billion. Ongoing Proposition 98 per-pupil expenditures are projected to be $9,667, and total per-pupil expenditures from all sources are projected to be $13,462.

The 2015-16 Proposed Budget notes that the historical statewide general obligation bond program for construction and renovation of public school classrooms (the "current School Facilities Program") has no bond authority remaining in the State's core school facilities new construction and modernization programs and that there are a number of shortcomings with the current School Facilities Program. Rather than support a bond measure for the current School Facilities Program, the 2015-16 Proposed Budget proposes a number of recommendations for the design of a new program in place of the current School Facilities Program, including (i) increasing tools for local control by expanding assessed value caps for specific local bond measures conducted under Proposition 39, restructuring developer fees for school facilities, and expanding allowable uses of routine restricted maintenance funding, (ii) targeting state funding of school facilities in a way that (a) limits eligibility to school districts with low per-student assessed values, (b) prioritizes funding for health and safety and severe overcrowding projects, and (c) establishes a sliding scale to determine the State share of project costs based on local capacity to finance projects, and (iii) augmenting charter school facility grant program to fund charter schools either serving or located in attendance areas where at least 55 percent of the students qualify for free or reduced-price meals.

The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2015-16 Proposed State Budget entitled "The 2015-16 Budget: Overview of the Governor's Budget" on January 13, 2015 (the "2015-16 Proposed Budget Overview"). In the 2015-16 Proposed Budget Overview, the LAO acknowledges that the Governor's budgeting philosophy continues to be a prudent one for the most part. The LAO noted that in the near term, the Governor's reluctance to propose significant new program commitments outside of Proposition 98 could help avoid a return to the boom and bust budgeting of the past. The LAO also noted that while the budget is on track to enter the next downturn and is healthier than it was a decade ago, the State's finances remain vulnerable to the sudden tax revenue declines that will inevitably return with little warning. The array of complex budget formulas – especially those of Propositions 98 and 2 – complicate budget planning and could exacerbate this vulnerability in some scenarios. *The 2015-16 Proposed Budget Overview is available from the LAO at www.lao.ca.gov but such information is not incorporated herein by reference.*

**2015-16 Proposed State Budget—May Revision**

On May 14, 2015, the Governor released his May Revision (the "May Revision") to the 2015-16 Proposed Budget. On May 18, 2015, the LAO released separate analyses and overviews of the provisions of the May Revision (the "LAO Analysis"), including as they relate to Proposition 98 and funding for schools. The following information is drawn from the May Revision and the LAO Analysis.

The May Revision continues to project expansion of the California economy, yet cautions that cyclical contractions tend to occur on average every 5 years. In particular, the May Revision notes that the current expansion has exceeded the average by a year, indicating that the cycle may be shorter than average. The May Revision prioritizes fiscal restraint through addressing long-term debts and conservative funding of additional programs, while looking forward to preparing the state for the next economic downturn by funding the State's reserve.

The May Revision includes total funding of $83 billion ($49.7 billion General Fund and $33.3 billion other funds) for all K-12 education programs. The May Revision estimates an additional $6.1 billion in revenues above the 2015-16 Proposed Budget, $5.5 billion of which will go to K-12 and community colleges under Proposition 98. This increases the Proposition 98 minimum guarantee by $241 million in 2013-14, $3.1 billion in 2014-15, and $2.7 billion in 2015-16, for revised minimum guarantee levels of $58.9 billion, $66.3 billion, and $68.4 billion, respectively. The LAO Analysis estimates the 2015-16 minimum guarantee levels higher than the May Revision, at $69.1 billion, due to higher General Fund revenue estimates. The Proposition 98 maintenance factor is reduced to $722 million under the May Revision, and entirely eliminated under the LAO Analysis. The changes in estimates are driven primarily by State General Fund revenue estimates.

The May Revision dedicates an additional $2.8 billion to Proposition 98 mandates backlog ($2.5 billion of which is for K-12, aggregating to $3.6 billion), and an additional $2.1 billion ($6.2 billion total) for implementation of the LCFF. The May Revision also provides $64 million for seven special education programs borne out of a recently completed special education task force report. Finally, the May Revision provides community colleges with $638 million in increases, $142 million of which is unallocated, and the remainder of which is allocated to hiring faculty, additional enrollment growth, building maintenance, instructional equipment, and improving basic skills instruction.

The May Revision does not include any additional information on the Governor's policy recommendations for facilities as outlined in the 2015-16 Proposed Budget, nor does it include a new state school bond or another mechanism to fund a state program. The May Revision does, however, decrease the Office of Public School Construction staff by 37 positions, a reduction worth $4.47 million, indicating a lack of support for a state school bond.

Significant revisions made to the 2015-16 Proposed Budget relating to K-12 education include the following:

- *Career Technical Education*. The Governor's 2015-16 Proposed Budget allocated $250 million in one-time Proposition 98 funding in each of the next three years to support a transitional Career Technical Education ("CTE") Incentive Grant Program. The May Revision proposes an additional $150 million in 2015-16, for a total of $400 million, an additional $50 million in 2016-17, for a total of $300 million, and a reduction of $50 million in 2017-18, for a total of $200 million. Other CTE-related adjustments in the May Revision include increasing the minimum local-to-state funding match requirement to 1.5:1 in 2016-17 and 2:1 in 2017-18; eliminating the Career Pathways Trust from the list of allowable sources of local matching funds; and giving funding priority to applicants administering programs located in rural districts or regions with high student dropout rates.

- *Quality Education Investment Act Transition Funding*. The May Revision proposes an increase of $4.6 million one-time Proposition 98 General Fund to provide half of the final apportionment of Quality Education Investment Act funding to selected school districts in 2015-16 that do not qualify for concentration grant funding under the LCFF.

- *Local Property Tax Adjustments*. The May Revision proposes a decrease of $123.3 million and $224 million Proposition 98 General Fund in 2014-15 and 2015-16, respectively, for school districts, special education local plan areas, and county offices of education, each as a result of higher offsetting property tax revenues in such fiscal year.

- *Average Daily Attendance*. The May Revision proposes an increase of $94.4 million in 2014-15 and an increase of $173.5 million in 2015-16 for school districts, charter schools, and county offices of education under the LCFF as a result of an increase in 2013-14 ADA, which drives projections of ADA in both 2014-15 and 2015-16.

- *Proposition 39*. For 2013-14 through 2017-18, Proposition 39 requires half of the increased revenues, up to $550 million per year, to be used to support energy efficiency projects. The May Revision decreases the amount of energy efficiency funds available to K-12 schools in 2015-16 by $6.7 million, to $313.4 million, to reflect reduced revenue estimates.

- *Categorical Program Growth*. The May Revision proposes a decrease of $18.4 million Proposition 98 General Fund for selected categorical programs, based on updated estimates of projected ADA growth.

- *Cost-of-Living Adjustments*. The May Revision proposes a decrease of $22.1 million Proposition 98 General Fund to selected categorical programs for 2015-16 to reflect a change in the cost-of-living factor from 1.58 percent at the 2015- 16 Proposed Budget to 1.02 percent at the May Revision.

- *K-12 Mandated Programs Block Grant*. The May Revision proposes an increase of $1.2 million Proposition 98 General Fund to reflect greater school district participation in the mandates block grant. The additional funding is required to maintain statutory block grant funding rates assuming 100% program participation.

For additional information regarding the May Revision, see the Department of Finance website at dof.ca.gov. The District can take no responsibility for the continued accuracy of the above-referenced internet address as for the or for the accuracy, completeness, or timeliness of information posted therein, and such information is not incorporated herein by reference. The final fiscal year 2015-16 State budget, which will require approval by a majority vote of each house of the State legislature, may differ substantially from the May Revision. Accordingly, the District cannot predict the impact that the final fiscal year 2015-16 State budget, or subsequent State budgets, will have on its finances and operations

**Supplemental Information Concerning Litigation Against the State of California**

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

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

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

**Proposition 26**

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

## APPENDIX C

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

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# PITTSBURG UNIFIED SCHOOL DISTRICT

## AUDIT REPORT

JUNE 30, 2014

San Diego

Los Angeles

San Francisco
Bay Area

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

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**PITTSBURG UNIFIED SCHOOL DISTRICT**
**OF CONTRA COSTA COUNTY**

**PITTSBURG, CALIFORNIA**

**JUNE 30, 2014**

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

## GOVERNING BOARD

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

## DISTRICT ADMINISTRATORS

Ms. Linda Rondeau
*Superintendent*

Mr. Enrique Palacios
*Deputy Superintendent*

Mr. Abe Doctolero
*Assistant Superintendent of Educational Services*

Ms. Sally Clark
*Assistant Superintendent of Human Resources*

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**PITTSBURG UNIFIED SCHOOL DISTRICT**
**TABLE OF CONTENTS**
**FOR THE YEAR ENDED JUNE 30, 2014**

## FINANCIAL SECTION



## REQUIRED SUPPLEMENTARY INFORMATION



## SUPPLEMENTARY INFORMATION

## OTHER INDEPENDENT AUDITORS' REPORTS



## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

# FINANCIAL SECTION

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associates

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*Licensed by the California State Board of Accountancy*

# INDEPENDENT AUDITORS' REPORT

Governing Board
Pittsburg Unified School District
Pittsburg, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pittsburg Unified School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Pittsburg Unified School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pittsburg Unified School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 11, the budgetary comparison information on page 55, and the schedule of funding progress on page 56 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014 on our consideration of Pittsburg Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pittsburg Unified School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 15, 2014

**PITTSBURG UNIFIED SCHOOL DISTRICT**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## INTRODUCTION

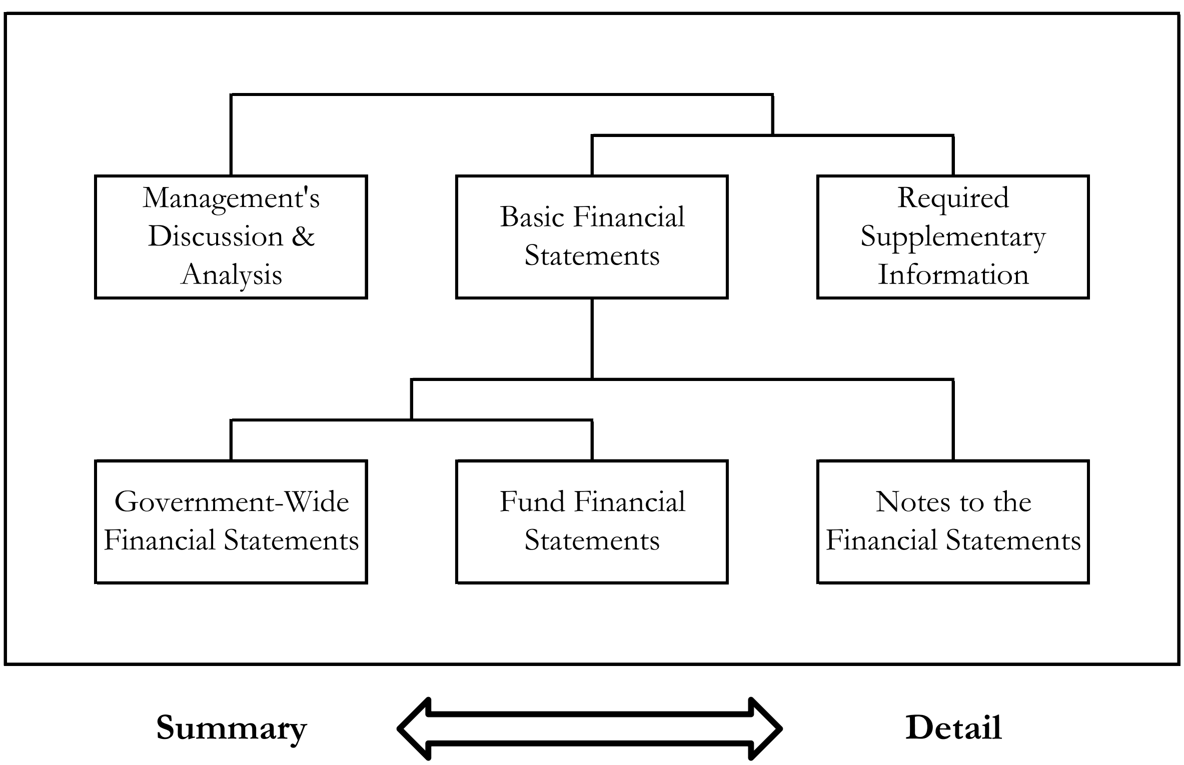
Our discussion and analysis of Pittsburg Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- Total net position was $132,832,370 at June 30, 2014. This was a decrease of $8,116,426 from the prior year's restated net position.
- Overall revenues were $113,739,558 which were exceeded by expenses of $121,855,984.

## OVERVIEW OF FINANCIAL STATEMENTS

**Components of the Financials Section**



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

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

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

    - **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

**Government-Wide Statements**

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

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

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

## FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

### Net Position

The District's net position was $132,832,370 at June 30, 2014, as reflected below. Of this amount, $4,567,980 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

| | Governmental Activities | | |
|---|---|---|---|
| | **2014** | **2013** | **Net Change** |
| **ASSETS** | | | |
| Current and other assets | $ 45,044,297 | $ 77,134,000 | $ (32,089,703) |
| Capital assets | 334,104,184 | 305,066,890 | 29,037,294 |
| **Total Assets** | 379,148,481 | 382,200,890 | (3,052,409) |
| **DEFERRED OUTFLOWS OF RESOURCES** | 301,090 | - | 301,090 |
| **LIABILITIES** | | | |
| Current liabilities | 14,778,333 | 13,376,315 | 1,402,018 |
| Long-term liabilities | 231,838,868 | 225,467,322 | 6,371,546 |
| **Total Liabilities** | 246,617,201 | 238,843,637 | 7,773,564 |
| **NET POSITION** | | | |
| Net investment in capital assets | 115,287,270 | 114,403,957 | 883,313 |
| Restricted | 12,977,120 | 19,378,780 | (6,401,660) |
| Unrestricted | 4,567,980 | 9,574,516 | (5,006,536) |
| **Total Net Position** | $132,832,370 | $143,357,253 | $ (10,524,883) |

## FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

### Changes in Net Position

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

| | Governmental Activities | | |
|---|---|---|---|
| | **2014** | **2013** | **Net Change** |
| **REVENUES** | | | |
| Program revenues | | | |
| Charges for services | $ 836,468 | $ 753,944 | $ 82,524 |
| Operating grants and contributions | 22,718,554 | 25,548,635 | (2,830,081) |
| Capital grants and contributions | 4,339 | 11,084,459 | (11,080,120) |
| General revenues | | | |
| Property taxes | 20,883,149 | 19,538,969 | 1,344,180 |
| Unrestricted federal and state aid | 67,420,632 | 59,234,146 | 8,186,486 |
| Other | 1,876,416 | 930,103 | 946,313 |
| **Total Revenues** | 113,739,558 | 117,090,256 | (3,350,698) |
| **EXPENSES** | | | |
| Instruction | 60,460,751 | 60,197,241 | 263,510 |
| Instruction-related services | 11,483,953 | 11,027,208 | 456,745 |
| Pupil services | 11,506,322 | 10,687,508 | 818,814 |
| General administration | 5,744,853 | 6,259,586 | (514,733) |
| Plant services | 15,243,901 | 17,109,880 | (1,865,979) |
| Ancillary and community services | 419,860 | 304,100 | 115,760 |
| Debt service | 7,418,022 | 5,558,593 | 1,859,429 |
| Other Outgo | 452,412 | - | 452,412 |
| Depreciation | 9,116,902 | 7,681,974 | 1,434,928 |
| Other | 9,008 | - | 9,008 |
| **Total Expenses** | 121,855,984 | 118,826,090 | 3,029,894 |
| **Change in net position** | (8,116,426) | (1,735,834) | (6,380,592) |
| **Net Position - Beginning, as Restated*** | 140,948,796 | 145,093,087 | (4,144,291) |
| **Net Position - Ending** | $132,832,370 | $143,357,253 | $ (10,524,883) |

** Restatement to Beginning Net Position relates to the 2014 year only*

## FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

The cost of all our governmental activities this year was $121,855,984 while net cost of services was only $98,296,623. The amount that our taxpayers ultimately financed for these activities through taxes was only $20,883,149 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

| | Net Cost of Services | |
|---|---|---|
| | 2014 | 2013 |
| Instruction | $ 48,650,458 | $ 34,752,354 |
| Instruction-related services | 9,966,653 | 8,832,520 |
| Pupil services | 4,700,032 | 3,286,775 |
| General administration | 3,001,652 | 5,474,659 |
| Plant services | 14,510,507 | 16,556,096 |
| Ancillary and community services | 419,928 | 304,100 |
| Debt service | 7,418,022 | 5,558,593 |
| Transfers to other agencies | 512,794 | (1,008,019) |
| Depreciation | 9,116,902 | 7,681,974 |
| Enterprise | (325) | - |
| **Total Expenses** | $ 98,296,623 | $ 81,439,052 |

## FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $40,713,750, which is less than the beginning restated fund balance of $71,366,472. The District's General Fund had $2,221,485 more in operating revenues than expenditures for the year ended June 30, 2014. The District's Building Fund had a decrease in fund balance of $25,626,114, due to facilities acquisition and maintenance spending. The District's Bond Interest and Redemption Fund had an increase in fund balance of $104,177.

## CURRENT YEAR BUDGET 2013-14

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2013-14 the District had invested $334,104,184 in capital assets, net of accumulated depreciation.

| | Governmental Activities | | |
|---|---|---|---|
| | 2014 | 2013 | Net Change |
| **CAPITAL ASSETS** | | | |
| Land | $ 1,785,563 | $ 1,785,563 | $ - |
| Construction in progress | 187,742,546 | 150,460,023 | 37,282,523 |
| Land improvements | 20,314,033 | 20,314,033 | - |
| Buildings & improvements | 237,384,201 | 237,384,201 | - |
| Furniture & equipment | 6,726,993 | 6,275,793 | 451,200 |
| Accumulated depreciation | (119,849,152) | (111,152,723) | (8,696,429) |
| **Total Capital Assets** | $334,104,184 | $305,066,890 | $ 29,037,294 |

### Long-Term Debt

At year-end, the District had $231,838,868 in long-term debt, an increase of $6,371,546 from last year – as shown below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

| | Governmental Activities | | |
|---|---|---|---|
| | 2014 | 2013 | Net Change |
| **LONG-TERM LIABILITIES** | | | |
| Total general obligation bonds | $208,228,681 | $200,325,294 | $ 7,903,387 |
| Total certificates of participation | 24,645,000 | 26,335,000 | (1,690,000) |
| Compensated absences | 453,456 | 480,752 | (27,296) |
| Net OPEB obligation | 6,196,252 | 5,602,839 | 593,413 |
| Less: current portion of long-term debt | (7,684,521) | (7,276,563) | (407,958) |
| **Total Long-term Liabilities** | $231,838,868 | $225,467,322 | $ 6,371,546 |

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

Landmark legislation passed in Year 2013 reformed California school district finance by creating the new Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21, but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting new compliance and audit requirements.

The State's economy is expected to grow at a modest rate of about 3% annually over the next two years, according to the UCLA Anderson Economic Forecast for September 2014. In the California forecast, Senior Economist Jerry Nickelsburg writes, "The California economy is moving forward in an expansion from the depths of the Great Recession. But, even though the number of jobs is now higher than any time in the past, the state remains below its potential in output and employment. That we are entering the sixth year of expansion illustrates just how painfully plodding this recovery process has been." The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and remains uncertain.

GASB 68, *Accounting and Financial Reporting for Pensions,* will be effective in the following fiscal year, 2014-15. The new standard requires the reporting of annual pension cost using an actuarially determined method and a net pension liability is expected to result. The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability will be reported in the Statement of Net Position as of June 30, 2015. The amount of the liability is unknown at this time but is anticipated to be material to the financial position of the District. To address the underfunding issues, the pension plans intend to raise employer rates in future years and the increased costs could be significant.

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

All of these factors were considered in preparing the District's budget for the 2014-15 fiscal year.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

**PITTSBURG UNIFIED SCHOOL DISTRICT**
**STATEMENT OF NET POSITION**
**JUNE 30, 2014**

| | | Governmental Activities |
|---|---|---|
| **ASSETS** | | |
| Cash and investments | $ | 27,938,845 |
| Accounts receivable | | 17,050,549 |
| Inventory | | 54,903 |
| Capital assets, not depreciated | | 189,528,109 |
| Capital assets, net of accumulated depreciation | | 144,576,075 |
| **Total Assets** | | 379,148,481 |
| | | |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred amount on refunding | | 301,090 |
| | | |
| **LIABILITIES** | | |
| Deficit cash | | 428,851 |
| Accrued liabilities | | 5,430,757 |
| Unearned revenue | | 1,234,204 |
| Long-term liabilities, current portion | | 7,684,521 |
| Long-term liabilities, non-current portion | | 231,838,868 |
| **Total Liabilities** | | 246,617,201 |
| | | |
| **NET POSITION** | | |
| Net investment in capital assets | | 115,287,270 |
| Restricted: | | |
| Capital projects | | 1,918,652 |
| Debt service | | 5,916,614 |
| Educational programs | | 3,708,700 |
| All others | | 1,433,154 |
| Unrestricted | | 4,567,980 |
| **Total Net Position** | $ | 132,832,370 |

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

## PITTSBURG UNIFIED SCHOOL DISTRICT
## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2014

| | | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position |
|---|---|---|---|---|---|
| Function/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| **GOVERNMENTAL ACTIVITIES** | | | | | |
| Instruction | $ 60,460,751 | $ 146,657 | $ 11,659,297 | $ 4,339 | $ (48,650,458) |
| Instruction-related services | | | | | |
| Instructional supervision and administration | 3,040,769 | 2 | 1,020,235 | - | (2,020,532) |
| Instructional library, media, and technology | 722,034 | - | 63,883 | - | (658,151) |
| School site administration | 7,721,150 | 22,282 | 410,898 | - | (7,287,970) |
| Pupil services | | | | | |
| Home-to-school transportation | 1,442,188 | 50,561 | (109,268) | - | (1,500,895) |
| Food services | 5,438,034 | 441,522 | 5,047,723 | - | 51,211 |
| All other pupil services | 4,626,100 | 1,629 | 1,374,123 | - | (3,250,348) |
| General administration | | | | | |
| Centralized data processing | 1,017,084 | 1,801 | 2,112,565 | - | 1,097,282 |
| All other general administration | 4,727,769 | 27,240 | 601,595 | - | (4,098,934) |
| Plant services | 15,243,901 | 42,455 | 690,939 | - | (14,510,507) |
| Ancillary services | 356,604 | 45 | (113) | - | (356,672) |
| Community services | 63,256 | - | - | - | (63,256) |
| Enterprise activities | 9,008 | 840 | 8,493 | - | 325 |
| Interest on long-term debt | 7,418,022 | - | - | - | (7,418,022) |
| Other Outgo | 452,412 | 101,434 | (161,816) | - | (512,794) |
| Depreciation (unallocated) | 9,116,902 | - | - | - | (9,116,902) |
| **Total Governmental Activities** | $ 121,855,984 | $ 836,468 | $ 22,718,554 | $ 4,339 | (98,296,623) |
| | General revenues | | | | |
| | Taxes and subventions | | | | |
| | Property taxes, levied for general purposes | | | | 8,476,632 |
| | Property taxes, levied for debt service | | | | 11,134,995 |
| | Property taxes, levied for other specific purposes | | | | 1,271,522 |
| | Federal and state aid not restricted for specific purposes | | | | 67,420,632 |
| | Interest and investment earnings | | | | 132,578 |
| | Miscellaneous | | | | 1,743,838 |
| | **Subtotal, General Revenue** | | | | 90,180,197 |
| | **CHANGE IN NET POSITION** | | | | (8,116,426) |
| | **Net Position - Beginning, as Restated** | | | | 140,948,796 |
| | **Net Position - Ending** | | | | $ 132,832,370 |

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

**PITTSBURG UNIFIED SCHOOL DISTRICT**
**GOVERNMENTAL FUNDS**
**BALANCE SHEET**
**JUNE 30, 2014**

| | General Fund | Building Fund | Bond Interest & Redemption Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and investments | $ 2,810,328 | $ 13,539,159 | $ 8,679,879 | $ 2,909,479 | $ 27,938,845 |
| Accounts receivable | 15,624,971 | 6,419 | - | 1,419,159 | 17,050,549 |
| Stores inventory | - | - | - | 54,903 | 54,903 |
| **Total Assets** | $ 18,435,299 | $ 13,545,578 | $ 8,679,879 | $ 4,383,541 | $ 45,044,297 |
| **LIABILITIES** | | | | | |
| Deficit cash | $ - | $ - | $ - | $ 428,851 | $ 428,851 |
| Accrued liabilities | 2,075,212 | 377,084 | - | 215,196 | 2,667,492 |
| Unearned revenue | 1,168,874 | - | - | 65,330 | 1,234,204 |
| **Total Liabilities** | 3,244,086 | 377,084 | - | 709,377 | 4,330,547 |
| **FUND BALANCES** | | | | | |
| Nonspendable | 25,000 | - | - | 59,903 | 84,903 |
| Restricted | 3,631,888 | 13,168,494 | 8,679,879 | 3,428,618 | 28,908,879 |
| Committed | - | - | - | 185,643 | 185,643 |
| Assigned | 5,567,623 | - | - | - | 5,567,623 |
| Unassigned | 5,966,702 | - | - | - | 5,966,702 |
| **Total Fund Balances** | 15,191,213 | 13,168,494 | 8,679,879 | 3,674,164 | 40,713,750 |
| **Total Liabilities and Fund Balances** | $ 18,435,299 | $ 13,545,578 | $ 8,679,879 | $ 4,383,541 | $ 45,044,297 |

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

**PITTSBURG UNIFIED SCHOOL DISTRICT**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**
**JUNE 30, 2014**

| | | | |
|---|---|---|---|
| **Total Fund Balance - Governmental Funds** | | $ | 40,713,750 |
| 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 | $ | 453,953,336 | |
| Accumulated depreciation | | (119,849,152) | 334,104,184 |
| Deferred amount on refunding: | | | |
| In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements: | | | 301,090 |
| Unmatured interest on long-term debt: | | | |
| In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: | | | (2,763,265) |
| Long-term liabilities: | | | |
| In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of: | | | |
| Total general obligation bonds | $ | 208,228,681 | |
| Total certificates of participation | | 24,645,000 | |
| Compensated absences | | 453,456 | |
| Net OPEB obligation | | 6,196,252 | (239,523,389) |
| **Total Net Position - Governmental Activities** | | $ | 132,832,370 |

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

**PITTSBURG UNIFIED SCHOOL DISTRICT**
**GOVERNMENTAL FUNDS**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**FOR THE YEAR ENDED JUNE 30, 2014**

| | General Fund | Building Fund | Bond Interest & Redemption Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| LCFF sources | $ 71,568,954 | $ - | $ - | $ - | $ 71,568,954 |
| Federal sources | 5,069,473 | - | - | 5,796,967 | 10,866,440 |
| Other state sources | 11,453,642 | - | 69,406 | 1,529,662 | 13,052,710 |
| Other local sources | 6,260,710 | 81,559 | 11,084,583 | 824,602 | 18,251,454 |
| **Total Revenues** | 94,352,779 | 81,559 | 11,153,989 | 8,151,231 | 113,739,558 |
| **EXPENDITURES** | | | | | |
| Current | | | | | |
| Instruction | 57,576,285 | - | - | 2,461,204 | 60,037,489 |
| Instruction-related services | | | | | |
| Instructional supervision and administration | 3,040,769 | - | - | - | 3,040,769 |
| Instructional library, media, and technology | 722,034 | - | - | - | 722,034 |
| School site administration | 6,844,689 | - | - | 876,461 | 7,721,150 |
| Pupil services | | | | | |
| Home-to-school transportation | 1,442,188 | - | - | - | 1,442,188 |
| Food services | - | - | - | 5,578,421 | 5,578,421 |
| All other pupil services | 4,615,638 | - | - | 10,462 | 4,626,100 |
| General administration | | | | | |
| Centralized data processing | 2,648,199 | - | - | - | 2,648,199 |
| All other general administration | 4,350,470 | - | - | 343,430 | 4,693,900 |
| Plant services | 8,818,621 | - | - | 403,645 | 9,222,266 |
| Facilities acquisition and maintenance | 1,202,698 | 38,077,673 | - | 2,967,758 | 42,248,129 |
| Ancillary services | 403,818 | - | - | - | 403,818 |
| Community services | 63,256 | - | - | - | 63,256 |
| Enterprise activities | - | - | - | 9,008 | 9,008 |
| Transfers to other agencies | 402,629 | - | - | 101,346 | 503,975 |
| Debt service | | | | | |
| Principal | - | - | 5,560,000 | 1,690,000 | 7,250,000 |
| Interest and other | - | 130,000 | 6,016,868 | 1,061,766 | 7,208,634 |
| **Total Expenditures** | 92,131,294 | 38,207,673 | 11,576,868 | 15,503,501 | 157,419,336 |
| **Excess (Deficiency) of Revenues** | | | | | |
| **Over Expenditures** | 2,221,485 | (38,126,114) | (422,879) | (7,352,270) | (43,679,778) |
| **Other Financing Sources (Uses)** | | | | | |
| Transfers in | - | - | - | 3,363,909 | 3,363,909 |
| Other sources | - | 12,500,000 | 10,813,578 | - | 23,313,578 |
| Transfers out | (3,363,909) | - | - | - | (3,363,909) |
| Other uses | - | - | (10,286,522) | - | (10,286,522) |
| **Net Financing Sources (Uses)** | (3,363,909) | 12,500,000 | 527,056 | 3,363,909 | 13,027,056 |
| **NET CHANGE IN FUND BALANCE** | (1,142,424) | (25,626,114) | 104,177 | (3,988,361) | (30,652,722) |
| **Fund Balance - Beginning, as Restated** | 16,333,637 | 38,794,608 | 8,575,702 | 7,662,525 | 71,366,472 |
| **Fund Balance - Ending** | $ 15,191,213 | $ 13,168,494 | $ 8,679,879 | $ 3,674,164 | $ 40,713,750 |

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

**PITTSBURG UNIFIED SCHOOL DISTRICT**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2014**

| | | |
|---|---|---|
| **Net Change in Fund Balances - Governmental Funds** | | $ (30,652,722) |
| 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: | $ 38,188,065 | |
| Depreciation expense: | (9,116,902) | 29,071,163 |
| 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: | | 17,420,000 |
| Debt proceeds: | | |
| In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: | | (23,313,578) |
| Deferred amounts on refunding: | | |
| In governmental funds, deferred amounts on refundings are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refundings are amortized over the life of the debt. The net effect of the deferred amounts on refundings during the period was: | | 101,141 |
| Gain or loss from the disposal of capital assets: | | |
| In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: | | (33,869) |

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

**PITTSBURG UNIFIED SCHOOL DISTRICT**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES, continued**
**FOR THE YEAR ENDED JUNE 30, 2014**

| | | |
|---|---|---|
| Unmatured interest on long-term debt: | | |
| In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: | | (22,584) |
| Accreted interest on long-term debt: | | |
| In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. | | (316,804) |
| Compensated absences: | | |
| In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: | | 27,296 |
| 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: | | (593,413) |
| Amortization of debt issuance premium or discount: | | |
| In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: | | 196,944 |
| **Change in Net Position of Governmental Activities** | $ | (8,116,426) |

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

**PITTSBURG UNIFIED SCHOOL DISTRICT**
**FIDUCIARY FUNDS**
**STATEMENT OF NET POSITION**
**JUNE 30, 2014**

| | Trust Funds | | Agency Funds |
|---|---|---|---|
| | **Retiree Benefit Fund** | **Private-Purpose Trust Fund** | **Student Body Fund** |
| **ASSETS** | | | |
| Cash and cash equivalents | $ 486,168 | $ 104,232 | $ 436,756 |
| **Total Assets** | 486,168 | 104,232 | $ 436,756 |
| | | | |
| **LIABILITIES** | | | |
| Due to student groups | - | - | $ 436,756 |
| **Total Liabilities** | - | - | $ 436,756 |
| | | | |
| **NET POSITION** | | | |
| Unrestricted | 486,168 | 104,232 | |
| **Total Net Position** | $ 486,168 | $ 104,232 | |

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

**PITTSBURG UNIFIED SCHOOL DISTRICT**
**FIDUCIARY FUNDS**
**STATEMENT OF CHANGES IN NET POSITION**
**FOR THE YEAR ENDED JUNE 30, 2014**

| | Trust Funds | |
|---|---|---|
| | **Retiree Benefit Fund** | **Private-Purpose Trust Fund** |
| **ADDITIONS** | | |
| Investment earnings | $ 1,576 | $ 216 |
| Other | - | 24,301 |
| **Total Additions** | 1,576 | 24,517 |
| | | |
| **DEDUCTIONS** | | |
| Other trust activities | 7,199 | 9,516 |
| **Total Deductions** | 7,199 | 9,516 |
| | | |
| **CHANGE IN NET POSITION** | (5,623) | 15,001 |
| **Net Position - Beginning** | 491,791 | 89,231 |
| **Net Position - Ending** | $ 486,168 | $ 104,232 |

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Financial Reporting Entity

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

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

### B. Component Units

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

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

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### B. Component Units (continued)

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

1. Manifestation of Oversight

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

2. Accounting for Fiscal Matters

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

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

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

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

3. Scope of Public Service and Financial Presentation

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation**

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

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

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

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

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

**Major Governmental Funds**

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation (continued)**

**Major Governmental Funds (continued)**

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

**Non-Major Governmental Funds**

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

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

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

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation (continued)**

**Non-Major Governmental Funds (continued)**

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

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

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

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

**Fiduciary Funds**

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

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

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

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### D. Basis of Accounting – Measurement Focus

**Government-Wide and Fiduciary Financial Statements**

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

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

**Governmental Funds**

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

**Revenues – Exchange and Non-Exchange Transactions**

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### D. Basis of Accounting – Measurement Focus (continued)

**Unearned Revenue**

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

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

**Expenses/Expenditures**

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

### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

**Cash and Cash Equivalents**

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

**Investments**

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

**Inventories**

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

**Capital Assets**

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

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

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

**Interfund Balances**

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

**Compensated Absences**

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)**

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

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

**Deferred Outflows/Deferred Inflows of Resources**
In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

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

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

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

assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

**Fund Balance (continued)**

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

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

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

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

### F. Interfund Activity

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### G. Estimates

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

### H. Budgetary Data

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

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

### I. Property Tax

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. New Accounting Pronouncements**

**GASB Statement No. 65 –** In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement is effective for periods beginning after December 15, 2012. The District has implemented GASB Statement No. 65 for the year ended June 30, 2014.

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

**GASB Statement No. 71 –** In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* This standard seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. The Statement is effective for periods beginning after June 15, 2014. The District has not yet determined the impact on the financial statements.

## NOTE 2 – CASH AND INVESTMENTS

### A. Summary of Cash and Investments

| | Governmental Activities | Fiduciary Funds |
|---|---|---|
| Cash in county | $ 12,330,864 | $ 590,400 |
| Cash on hand and in banks | 2,500 | 436,756 |
| Cash with fiscal agent | 1,788,977 | - |
| Cash in revolving fund | 30,000 | - |
| **Total cash and cash equivalents** | $ 14,152,341 | $ 1,027,156 |
| Investments | $ 13,786,504 | $ - |

### B. Policies and Practices

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

### B. Policies and Practices (continued)

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

**NOTE 2 – CASH AND INVESTMENTS (continued)**

**C. General Authorizations**

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

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

*Investments*- The investments are held with the Local Agency Investment Fund (LAIF). The program is offered to local agencies and is also part of the Pooled Money Investment Account (PMIA). The investment has an amortized book value of $13,786,504, which approximates fair value.

*Cash with Fiscal Agent* - Cash with Fiscal Agent represents $1,788,977 in the Capital Facilities Fund held by US Bank and restricted for construction costs of various capital improvements.

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $12,914,299 and an amortized book value of $12,921,264. The average weighted maturity for this pool is 184 days.

## NOTE 2 – CASH AND INVESTMENTS (continued)

### E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2014, the pooled investments in the County Treasury were rated AAAf/S1+ by Standard and Poor's.

### F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District's bank balance was not exposed to custodial credit risk.

## NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014 consisted of the following:

| | General Fund | Building Fund | Non-Major Governmental Funds | Total Governmental Activities |
|---|---|---|---|---|
| Federal categorical | $ 1,913,739 | $ - | $ 1,027,808 | $ 2,941,547 |
| Unrestricted sources | 11,468,346 | - | - | 11,468,346 |
| State categorical | 1,562,726 | - | 389,276 | 1,952,002 |
| Lottery | 371,689 | - | - | 371,689 |
| Other local sources | 308,471 | 6,419 | 2,075 | 316,965 |
| **Total** | $ 15,624,971 | $ 6,419 | $ 1,419,159 | $ 17,050,549 |

## NOTE 4 – CAPITAL ASSETS

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

| | Balance July 01, 2013 | Additions | Deletions | Balance June 30, 2014 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 1,785,563 | $ - | $ - | $ 1,785,563 |
| Construction in progress | 150,460,023 | 37,282,523 | - | 187,742,546 |
| Total Capital Assets not Being Depreciated | 152,245,586 | 37,282,523 | - | 189,528,109 |
| Capital assets being depreciated | | | | |
| Land improvements | 20,314,033 | - | - | 20,314,033 |
| Buildings & improvements | 237,384,201 | - | - | 237,384,201 |
| Furniture & equipment | 6,275,793 | 905,542 | 454,342 | 6,726,993 |
| Total Capital Assets Being Depreciated | 263,974,027 | 905,542 | 454,342 | 264,425,227 |
| Less Accumulated Depreciation | | | | |
| Land improvements | 18,069,258 | 232,800 | - | 18,302,058 |
| Buildings & improvements | 88,386,621 | 8,627,750 | - | 97,014,371 |
| Furniture & equipment | 4,696,844 | 256,352 | 420,473 | 4,532,723 |
| Total Accumulated Depreciation | 111,152,723 | 9,116,902 | 420,473 | 119,849,152 |
| **Governmental Activities** | | | | |
| **Capital Assets, net** | $ 305,066,890 | $ 29,071,163 | $ 33,869 | $ 334,104,184 |

## NOTE 5 – INTERFUND TRANSACTIONS

### Operating Transfers

Interfund transfers for the year ended June 30, 2014 consisted of the following:

| | Interfund Transfers In | |
|---|---|---|
| **Interfund Transfers Out** | **Non-Major Governmental Funds** | **Total** |
| General Fund | $ 3,363,909 | $ 3,363,909 |
| **Total Interfund Transfers** | $ 3,363,909 | $ 3,363,909 |

| | |
|---|---|
| Transfer from the General Fund to the Adult Education Fund for contribution to maintain adult education programs. | $ 86,915 |
| Transfer from the General Fund to the Deferred Maintenance Fund for annual contribution to support program. | 355,221 |
| Transfer from the General Fund to the Capital Facilities Fund to compensate for loss of development funds. | 2,921,773 |
| **Total** | $ 3,363,909 |

## NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2014 consisted of the following:

| | General Fund | Building Fund | Non-Major Governmental Funds | District-Wide | Total Governmental Activities |
|---|---|---|---|---|---|
| Construction | $ - | $ 377,084 | $ - | $ - | $ 377,084 |
| Vendors payable | 2,075,212 | - | 215,196 | - | 2,290,408 |
| Unmatured interest | - | - | - | 2,763,265 | 2,763,265 |
| **Total** | $ 2,075,212 | $ 377,084 | $ 215,196 | $ 2,763,265 | $ 5,430,757 |

## NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2014, consisted of the following:

| | General Fund | Non-Major Governmental Funds | Total Governmental Activities |
|---|---|---|---|
| Federal sources | $ 898,662 | $ 23,210 | $ 921,872 |
| State categorical sources | 270,212 | - | 270,212 |
| Local sources | - | 42,120 | 42,120 |
| **Total** | $ 1,168,874 | $ 65,330 | $ 1,234,204 |

## NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2014 consisted of the following:

| | Balance July 01, 2013 | Additions | Deductions | Balance June 30, 2014 | Balance Due In One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| General obligation bonds | $ 196,358,211 | $ 22,485,000 | $ 15,730,000 | $ 203,113,211 | $ 5,700,000 |
| Unamortized premium | 3,595,563 | 828,578 | 196,944 | 4,227,197 | 239,521 |
| Accreted interest | 571,469 | 316,804 | - | 888,273 | - |
| Deferred amount on refunding | (199,949) | - | (199,949) | - | - |
| Total general obligation bonds | 200,325,294 | 23,630,382 | 15,726,995 | 208,228,681 | 5,939,521 |
| Certificates of participation | 26,335,000 | - | 1,690,000 | 24,645,000 | 1,745,000 |
| Compensated absences | 480,752 | - | 27,296 | 453,456 | - |
| Net OPEB obligation | 5,602,839 | 593,413 | - | 6,196,252 | - |
| **Total** | $ 232,743,885 | $ 24,223,795 | $ 17,444,291 | $ 239,523,389 | $ 7,684,521 |

### A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2014 amounted to $453,456. This amount is included as part of long-term liabilities in the government-wide financial statements.

### B. General Obligation Bonds

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

| Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds Outstanding July 01, 2013 | Additions | Deductions | Bonds Outstanding June 30, 2014 |
|---|---|---|---|---|---|---|---|
| March 9, 2005 | August 1, 2029 | 3.50% - 12.00% | $ 17,100,000 | $ 6,120,000 | $ - | $ 4,705,000 | $ 1,415,000 |
| August 30, 2005 | August 1, 2024 | 3.40% - 4.375% | 8,565,000 | 6,305,000 | - | 6,305,000 | - |
| June 8, 2006 | August 1, 2030 | 4.00% - 6.00% | 13,350,000 | 12,195,000 | - | 220,000 | 11,975,000 |
| September 26, 2007 | August 1, 2032 | 4.00% - 8.00% | 10,050,000 | 8,950,000 | - | 295,000 | 8,655,000 |
| September 26, 2007 | August 1, 2032 | 4.00% - 8.00% | 15,000,000 | 10,915,000 | - | 390,000 | 10,525,000 |
| March 12, 2009 | August 1, 2039 | 2.50% - 5.00% | 35,000,000 | 33,935,000 | - | 485,000 | 33,450,000 |
| February 24, 2010 | August 1, 2023 | 2.00% - 5.00% | 6,810,000 | 5,895,000 | - | 445,000 | 5,450,000 |
| July 1, 2011 | September 1, 2046 | 5.50% | 59,999,952 | 55,775,000 | - | 2,400,000 | 53,375,000 |
| July 24, 2012 | August 1, 2034 | 4.15%-4.92% | 25,000,000 | 25,000,000 | - | - | 25,000,000 |
| July 24, 2012 | August 1, 2026 | 3.00%-5.00% | 13,265,000 | 13,265,000 | - | 485,000 | 12,780,000 |
| August 7, 2012 | August 1, 2052 | 4.25% | 18,003,211 | 18,003,211 | - | - | 18,003,211 |
| April 8, 2014 | August 2, 2043 | 2.00% - 5.00% | 12,500,000 | | 12,500,000 | | 12,500,000 |
| April 8, 2014 | August 3, 2029 | 2.00% - 5.00% | 9,985,000 | - | 9,985,000 | - | 9,985,000 |
| | | | | $ 196,358,211 | $ 22,485,000 | $ 15,730,000 | $ 203,113,211 |

**NOTE 8 – LONG-TERM DEBT (continued)**

**B. General Obligation Bonds (continued)**

**2005 General Obligation Bonds**

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

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ 420,000 | $ 45,765 | $ 465,765 |
| 2016 | 470,000 | 29,288 | 499,288 |
| 2017 | 525,000 | 10,238 | 535,238 |
| Total | $ 1,415,000 | $ 85,291 | $ 1,500,291 |

**2005 General Obligation Refunding Bonds**

In 2005, the District issued $8,565,000 of General Obligation Refunding Bonds. Of this amount, $8,387,151 was placed into an escrow account to advance refund the remaining $3,995,000 of the 1998 General Obligation Bonds and $4,050,000 of the 2000 General Obligation Bonds. The 2005 General Obligation Refunding Bonds require annual principal payments through August 1, 2024, plus interest. Annual interest rates for these General Obligation Bonds range from 3.40% to 4.375%. The Bonds were refunded during the year ended June 30, 2014.

## NOTE 8 – LONG-TERM DEBT (continued)

### B. General Obligation Bonds (continued)

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

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ 250,000 | $ 542,171 | $ 792,171 |
| 2016 | 290,000 | 528,671 | 818,671 |
| 2017 | 325,000 | 513,296 | 838,296 |
| 2018 | 365,000 | 497,871 | 862,871 |
| 2019 | 405,000 | 482,218 | 887,218 |
| 2020 - 2024 | 3,095,000 | 2,057,013 | 5,152,013 |
| 2025 - 2029 | 4,730,000 | 1,161,095 | 5,891,095 |
| 2030 - 2031 | 2,515,000 | 118,200 | 2,633,200 |
| Total | $ 11,975,000 | $ 5,900,535 | $ 17,875,535 |

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

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ 305,000 | $ 373,715 | $ 678,715 |
| 2016 | 320,000 | 360,434 | 680,434 |
| 2017 | 335,000 | 346,934 | 681,934 |
| 2018 | 350,000 | 333,234 | 683,234 |
| 2019 | 360,000 | 319,034 | 679,034 |
| 2020 - 2024 | 2,015,000 | 1,358,669 | 3,373,669 |
| 2025 - 2029 | 2,490,000 | 873,056 | 3,363,056 |
| 2030 - 2033 | 2,480,000 | 243,826 | 2,723,826 |
| Total | $ 8,655,000 | $ 4,208,902 | $ 12,863,902 |

## NOTE 8 – LONG-TERM DEBT (continued)

### B. General Obligation Bonds (continued)

**2008 General Obligation Bonds**

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

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ 415,000 | $ 452,905 | $ 867,905 |
| 2016 | 425,000 | 435,055 | 860,055 |
| 2017 | 430,000 | 417,424 | 847,424 |
| 2018 | 450,000 | 399,824 | 849,824 |
| 2019 | 460,000 | 381,624 | 841,624 |
| 2020 - 2024 | 2,425,000 | 1,620,885 | 4,045,885 |
| 2025 - 2029 | 2,980,000 | 1,037,766 | 4,017,766 |
| 2030 - 2033 | 2,940,000 | 287,605 | 3,227,605 |
| Total | $ 10,525,000 | $ 5,033,088 | $ 15,558,088 |

**2010 General Obligation Bonds**

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

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ 490,000 | $ 1,761,950 | $ 2,251,950 |
| 2016 | 520,000 | 1,741,750 | 2,261,750 |
| 2017 | 555,000 | 1,720,250 | 2,275,250 |
| 2018 | 570,000 | 1,697,750 | 2,267,750 |
| 2019 | 605,000 | 1,671,225 | 2,276,225 |
| 2020 - 2024 | 3,675,000 | 7,842,163 | 11,517,163 |
| 2025 - 2029 | 4,625,000 | 6,870,391 | 11,495,391 |
| 2030 - 2034 | 6,780,000 | 5,438,331 | 12,218,331 |
| 2035 - 2039 | 12,660,000 | 2,691,553 | 15,351,553 |
| 2040 | 2,970,000 | 83,531 | 3,053,531 |
| Total | $ 33,450,000 | $ 31,518,894 | $ 64,968,894 |

## NOTE 8 – LONG-TERM DEBT (continued)

### B. General Obligation Bonds (continued)

**2010 General Obligation Refunding Bonds**

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

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ 460,000 | $ 229,900 | $ 689,900 |
| 2016 | 470,000 | 214,775 | 684,775 |
| 2017 | 485,000 | 198,063 | 683,063 |
| 2018 | 505,000 | 179,475 | 684,475 |
| 2019 | 525,000 | 158,875 | 683,875 |
| 2020 - 2024 | 3,005,000 | 381,688 | 3,386,688 |
| Total | $ 5,450,000 | $ 1,362,776 | $ 6,812,776 |

**2011 General Obligation Revenue Bonds**

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

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ 2,265,000 | $ 485,000 | $ 2,750,000 |
| 2016 | 2,135,000 | 615,000 | 2,750,000 |
| 2017 | 2,005,000 | 745,000 | 2,750,000 |
| 2018 | 1,875,000 | 875,000 | 2,750,000 |
| 2019 | 1,750,000 | 1,000,000 | 2,750,000 |
| 2020 - 2024 | 8,020,000 | 7,555,000 | 15,575,000 |
| 2025 - 2029 | 7,625,000 | 13,075,000 | 20,700,000 |
| 2030 - 2034 | 7,065,000 | 19,835,000 | 26,900,000 |
| 2035 - 2039 | 6,585,000 | 27,615,000 | 34,200,000 |
| 2040 - 2044 | 8,860,000 | 44,453,188 | 53,313,188 |
| 2045 - 2047 | 5,190,000 | 31,679,138 | 36,869,138 |
| Total | $ 53,375,000 | $ 147,932,326 | $ 201,307,326 |

**NOTE 8 – LONG-TERM DEBT (continued)**

**B. General Obligation Bonds (continued)**

**Election 2010, Series B Bonds**

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

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ - | $ 1,155,888 | $ 1,155,888 |
| 2016 | - | 1,155,888 | 1,155,888 |
| 2017 | - | 1,155,888 | 1,155,888 |
| 2018 | - | 1,155,888 | 1,155,888 |
| 2019 | - | 1,155,888 | 1,155,888 |
| 2020 - 2024 | - | 5,779,438 | 5,779,438 |
| 2025 - 2029 | 9,625,000 | 4,381,406 | 14,006,406 |
| 2030 - 2034 | - | 3,782,250 | 3,782,250 |
| 2035 | 15,375,000 | 378,225 | 15,753,225 |
| Total | $ 25,000,000 | $ 20,100,759 | $ 45,100,759 |

**2012 General Obligation Refunding Bonds**

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

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ 495,000 | $ 497,100 | $ 992,100 |
| 2016 | 575,000 | 476,200 | 1,051,200 |
| 2017 | 600,000 | 452,700 | 1,052,700 |
| 2018 | 1,115,000 | 417,900 | 1,532,900 |
| 2019 | 1,200,000 | 371,600 | 1,571,600 |
| 2020 - 2024 | 5,505,000 | 1,088,950 | 6,593,950 |
| 2025 - 2027 | 3,290,000 | 153,450 | 3,443,450 |
| Total | $ 12,780,000 | $ 3,457,900 | $ 16,237,900 |

**NOTE 8 – LONG-TERM DEBT (continued)**

**B. General Obligation Bonds (continued)**

**Election of 2010, Series C**

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

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | - | 354,450 | $ 354,450 |
| 2016 | - | 354,450 | 354,450 |
| 2017 | - | 354,450 | 354,450 |
| 2018 | - | 354,450 | 354,450 |
| 2019 | - | 354,450 | 354,450 |
| 2020 - 2024 | - | 1,772,250 | 1,772,250 |
| 2025 - 2029 | - | 1,772,250 | 1,772,250 |
| 2030 - 2034 | - | 1,772,250 | 1,772,250 |
| 2035 - 2039 | 1,083,099 | 10,539,151 | 11,622,250 |
| 2040 - 2044 | 2,745,940 | 13,294,101 | 16,040,041 |
| 2045 - 2049 | 3,295,692 | 23,036,069 | 26,331,761 |
| 2050 - 2053 | 10,878,480 | 22,837,936 | 33,716,416 |
| Total | $ 18,003,211 | $ 76,796,257 | $ 94,799,468 |

**Election of 2010, Series D**

In fiscal year 2013-14, the District issued $12,500,000 in General Obligation Bonds. The Bonds mature on August 1, 2043. Annual interest rates for these Bonds range from 2.00% to 5.00% The Bonds mature as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ - | $ 431,443 | $ 431,443 |
| 2016 | 135,000 | 555,350 | 690,350 |
| 2017 | 25,000 | 553,750 | 578,750 |
| 2018 | 25,000 | 553,250 | 578,250 |
| 2019 | 25,000 | 552,750 | 577,750 |
| 2020 - 2024 | 375,000 | 2,739,125 | 3,114,125 |
| 2025 - 2029 | 865,000 | 2,608,750 | 3,473,750 |
| 2030 - 2034 | 1,550,000 | 2,344,438 | 3,894,438 |
| 2035 - 2039 | 2,640,000 | 2,108,838 | 4,748,838 |
| 2040 - 2044 | 6,860,000 | 867,600 | 7,727,600 |
| Total | $ 12,500,000 | $ 13,315,294 | $ 25,815,294 |

## NOTE 8 – LONG-TERM DEBT (continued)

### B. General Obligation Bonds (continued)

**2014 General Obligation Refunding Bonds**

In fiscal year 2013-14, the District issued $9,985,000 in General Obligation Refunding Bonds. The Bonds were issued to refund a portion of the Election of 2004, Series A Bonds and refund the 2005 Refunding Bonds in full. The Bonds require principal and interest payments through August 1, 2029. Annual interest rates for these Bonds range from 2.00% to 5.00%. The refunding transaction resulted in a net savings to the District $1,052,976 and a present value savings to the District of $824,824. All of the refunded bonds have been redeemed as of June 30, 2014. The Bonds mature as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ 600,000 | $ 268,528 | $ 868,528 |
| 2016 | 505,000 | 330,000 | 835,000 |
| 2017 | 525,000 | 309,400 | 834,400 |
| 2018 | 545,000 | 288,000 | 833,000 |
| 2019 | 570,000 | 271,400 | 841,400 |
| 2020 - 2024 | 2,725,000 | 1,099,450 | 3,824,450 |
| 2025 - 2029 | 3,015,000 | 666,150 | 3,681,150 |
| 2030 | 1,500,000 | 26,250 | 1,526,250 |
| Total | $ 9,985,000 | $ 3,259,178 | $ 13,244,178 |

### C. Certificates of Participation

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

| Issue Date | Maturity Date | Interest Rate | Original Issue | Outstanding July 01, 2013 | Additions | Deductions | Outstanding June 30, 2014 |
|---|---|---|---|---|---|---|---|
| July 20, 2010 | June 1, 2035 | 3.00% - 5.00% | $ 20,510,000 | $ 19,285,000 | $ - | $ 950,000 | $ 18,335,000 |
| October 1, 2012 | September 1, 2023 | 2.54% | 7,050,000 | 7,050,000 | - | 740,000 | 6,310,000 |
| | | | | $ 26,335,000 | $ - | $ 1,690,000 | $ 24,645,000 |

**NOTE 8 – LONG-TERM DEBT (continued)**

**C. Certificates of Participation (continued)**

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

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

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ 1,025,000 | $ 854,094 | $ 1,879,094 |
| 2016 | 1,325,000 | 813,094 | 2,138,094 |
| 2017 | 735,000 | 760,094 | 1,495,094 |
| 2018 | 275,000 | 730,694 | 1,005,694 |
| 2019 | 325,000 | 719,694 | 1,044,694 |
| 2020 - 2024 | 2,410,000 | 3,372,419 | 5,782,419 |
| 2025 - 2029 | 4,140,000 | 2,685,175 | 6,825,175 |
| 2030 - 2034 | 6,450,000 | 1,433,000 | 7,883,000 |
| 2035 | 1,650,000 | 82,500 | 1,732,500 |
| Total | $ 18,335,000 | $ 11,450,764 | $ 29,785,764 |

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

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2015 | $ 720,000 | $ 151,130 | $ 871,130 |
| 2016 | 745,000 | 132,525 | 877,525 |
| 2017 | 550,000 | 116,078 | 666,078 |
| 2018 | 570,000 | 101,854 | 671,854 |
| 2019 | 585,000 | 87,186 | 672,186 |
| 2020 - 2024 | 3,140,000 | 202,946 | 3,342,946 |
| Total | $ 6,310,000 | $ 791,719 | $ 7,101,719 |

## NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2014:

| | General Fund | Building Fund | Bond Interest & Redemption Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| Non-spendable | | | | | |
| Revolving cash | $ 25,000 | $ - | $ - | $ 5,000 | $ 30,000 |
| Stores inventory | - | - | - | 54,903 | 54,903 |
| Total non-spendable | 25,000 | - | - | 59,903 | 84,903 |
| Restricted | | | | | |
| Educational programs | 3,631,888 | - | - | 76,812 | 3,708,700 |
| Capital projects | - | 13,168,494 | - | 1,918,652 | 15,087,146 |
| Debt service | - | - | 8,679,879 | - | 8,679,879 |
| All others | - | - | - | 1,433,154 | 1,433,154 |
| Total restricted | 3,631,888 | 13,168,494 | 8,679,879 | 3,428,618 | 28,908,879 |
| Committed | | | | | |
| Adult education | - | - | - | 26,324 | 26,324 |
| Deferred maintenance | - | - | - | 159,319 | 159,319 |
| Total committed | - | - | - | 185,643 | 185,643 |
| Assigned | | | | | |
| Parcel tax carryover | 178,860 | - | - | - | 178,860 |
| Common core tech upgrades | 3,602,430 | - | - | - | 3,602,430 |
| Special reserve | 1,786,333 | - | - | - | 1,786,333 |
| Total assigned | 5,567,623 | - | - | - | 5,567,623 |
| Unassigned | | | | | |
| Reserve for economic uncertainties | 2,706,114 | - | - | - | 2,706,114 |
| Remaining unassigned | 3,260,588 | - | - | - | 3,260,588 |
| Total unassigned | 5,966,702 | - | - | - | 5,966,702 |
| **Total** | $ 15,191,213 | $ 13,168,494 | $ 8,679,879 | $ 3,674,164 | $ 40,713,750 |

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

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

### A. Plan Description and Contribution Information

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

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

| | |
|---|---|
| Retirees and beneficiaries receiving benefits | 207 |
| Active plan members | 1,018 |
| Total* | 1,225 |
| | |
| Number of participating employers | 1 |

*As of March 1, 2014 actuarial study

### B. Funding Policy

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

As of June 30, 2014, the District has established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors with plan assets of $776,934 as of the date of the actuarial study.

### C. Annual OPEB Cost and Net OPEB Obligation

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

| | |
|---|---|
| Annual required contribution | $ 1,981,340 |
| Interest on net OPEB obligation | 280,142 |
| Adjustment to annual required contribution | (364,473) |
| Annual OPEB cost (expense) | 1,897,009 |
| Contributions made | (1,303,596) |
| Increase (decrease) in net OPEB obligation | 593,413 |
| Net OPEB obligation, beginning of the year | 5,602,839 |
| Net OPEB obligation, end of the year | $ 6,196,252 |

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

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

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2014 and the preceding two years were as follows:

| Year Ended June 30, | Annual OPEB Cost | Percentage Contributed | Net OPEB Obligation |
|---|---|---|---|
| 2014 | $ 1,897,009 | 69% | $ 6,196,252 |
| 2013 | $ 2,252,811 | 30% | $ 5,602,839 |
| 2012 | $ 2,273,827 | 39% | $ 4,016,213 |

### D. Funded Status and Funding Progress

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

| Actuarial Valuation Date | Actuarial Valuation of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| March 1, 2014 | $ 776,934 | $ 17,168,569 | $ 16,391,635 | 5% | $ 58,623,628 | 28% |

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

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

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

### E. Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

| | |
|---|---|
| Valuation Date | 3/1/2014 |
| Actuarial Cost Method | Projected Unit Credit |
| Amortization Method | Level Dollar |
| Remaining Amortization Period | 30 |
| Asset Valuation | Market value basis |
| Actuarial Assumptions: | |
| Investment rate of return | 5.0% |
| Health care trend rate | 5% to 8% |

## NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS

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

### California State Teachers' Retirement System (CalSTRS)

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**Funding Policy**

Active plan members are required to contribute 8.0% of their salary for fiscal year 2014 and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

| | Contribution | Percent of Required Contribution |
|---|---|---|
| 2013-14 | $ 3,366,028 | 100% |
| 2012-13 | $ 3,268,075 | 100% |
| 2011-12 | $ 3,065,827 | 100% |

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $1,933,887 to CalSTRS (5.204% of 2011-12 creditable compensation subject to CalSTRS).

## NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

**California Public Employees' Retirement System (CalPERS)**

**Plan Description**

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

**Funding Policy**

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2014 was 11.442% of annual payroll. The District's contributions to CalPERS for the last three fiscal years were as follows:

| | Contribution | Percent of Required Contribution |
|---|---|---|
| 2013-14 | $ 1,660,762 | 100% |
| 2012-13 | $ 1,632,143 | 100% |
| 2011-12 | $ 1,470,754 | 100% |

## NOTE 12 – COMMITMENTS AND CONTINGENCIES

### A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

### B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2014.

### C. Construction Commitments

As of June 30, 2014, the District had commitments with respect to unfinished capital projects from its various bond funds.

## NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

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

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

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

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

## NOTE 14 – DEFERRED OUTFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the District recognized deferred outflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2014, the deferred amount on refunding was $301,090.

## NOTE 15 – RESTATEMENT OF NET POSITION/FUND BALANCE

The beginning net position of Governmental Activities has been restated in order to reflect the elimination of amortization of debt issuance costs in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* as well as to adjust beginning fund balance to assign prior year monies to the correct funds. The effect on beginning net position is presented as follows:

| | Governmental Activities |
|---|---|
| Net Position - Beginning, as Previously Reported | $ 143,357,253 |
| Removal of issuance costs per GASB No. 65 | (1,872,184) |
| Assignment of prior year monies to proper funds | (536,273) |
| Net Position - Beginning, as Restated | $ 140,948,796 |

As described above, there was a restatement to beginning fund balance to assign prior year monies to the proper funds. The impact on beginning fund balance is as follows:

| | Building Fund | Special Reserve Fund for Capital Outlay Projects |
|---|---|---|
| Fund Balance - Beginning, as Previously Reported | $ 35,425,892 | $ 4,419,359 |
| Assignment of prior year monies to proper funds | 3,368,716 | (3,904,989) |
| Fund Balance - Beginning, as Restated | $ 38,794,608 | $ 514,370 |

# REQUIRED SUPPLEMENTARY INFORMATION

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## PITTSBURG UNIFIED SCHOOL DISTRICT
## GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
## FOR THE YEAR ENDED JUNE 30, 2014

| | Budgeted Amounts | | Actual* | Variances - |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | Final to Actual |
| **REVENUES** | | | | |
| LCFF sources | $ 57,563,548 | $ 70,560,489 | $ 71,568,954 | $ 1,008,465 |
| Federal sources | 5,376,482 | 5,859,729 | 5,069,473 | (790,256) |
| Other state sources | 17,276,768 | 9,519,327 | 9,519,755 | 428 |
| Other local sources | 5,473,111 | 5,666,868 | 6,249,377 | 582,509 |
| **Total Revenues** | 85,689,909 | 91,606,413 | 92,407,559 | 801,146 |
| **EXPENDITURES** | | | | |
| Certificated salaries | 40,003,481 | 40,731,447 | 41,129,486 | (398,039) |
| Classified salaries | 12,402,887 | 12,027,684 | 12,515,472 | (487,788) |
| Employee benefits | 18,377,107 | 17,469,811 | 17,499,238 | (29,427) |
| Books and supplies | 3,930,009 | 4,863,915 | 3,778,416 | 1,085,499 |
| Services and other operating expenditures | 10,899,173 | 12,303,572 | 11,961,551 | 342,021 |
| Capital outlay | 4,542,279 | 3,937,003 | 3,254,045 | 682,958 |
| Other outgo | | | | |
| Excluding transfers of indirect costs | 188,416 | 63,416 | 402,629 | (339,213) |
| Transfers of indirect costs | (434,021) | (434,630) | (343,430) | (91,200) |
| **Total Expenditures** | 89,909,331 | 90,962,218 | 90,197,407 | 764,811 |
| **Excess (Deficiency) of Revenues** | | | | |
| **Over Expenditures** | (4,219,422) | 644,195 | 2,210,152 | 1,565,957 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | 6,156,655 | 6,166,791 | 6,166,791 | - |
| Transfers out | (2,751,766) | (3,706,987) | (3,963,909) | (256,922) |
| **Net Financing Sources (Uses)** | 3,404,889 | 2,459,804 | 2,202,882 | (256,922) |
| **NET CHANGE IN FUND BALANCE** | (814,533) | 3,103,999 | 4,413,034 | 1,309,035 |
| **Fund Balance - Beginning** | 8,991,846 | 8,991,846 | 8,991,846 | - |
| **Fund Balance - Ending** | $ 8,177,313 | $ 12,095,845 | $ 13,404,880 | $ 1,309,035 |

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

- On behalf payments of $1,933,887 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

See accompanying note to required supplementary information.

## PITTSBURG UNIFIED SCHOOL DISTRICT
## SCHEDULE OF FUNDING PROGRESS
## FOR THE YEAR ENDED JUNE 30, 2014

| Actuarial Valuation Date | Actuarial Valuation of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| March 1, 2014 | $ 776,934 | $ 17,168,569 | $ 16,391,635 | 5% | $ 58,623,628 | 28% |
| March 1, 2012 | $ 662,307 | $ 17,186,957 | $ 16,524,650 | 4% | $ 53,742,758 | 31% |
| July 1, 2009 | $ 300,000 | $ 13,719,382 | $ 13,419,382 | 2% | $ 48,440,232 | 28% |

See accompanying note to required supplementary information.

## NOTE 1 – PURPOSE OF SCHEDULES

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

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

## NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2014, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

| | Expenditures and Other Uses | | |
|---|---|---|---|
| | **Budget** | **Actual** | **Excess** |
| General Fund | | | |
| Certificated salaries | $ 40,731,447 | $ 41,129,486 | $ 398,039 |
| Classified salaries | $ 12,027,684 | $ 12,515,472 | $ 487,788 |
| Employee benefits | $ 17,469,811 | $ 17,499,238 | $ 29,427 |
| Other outgo | | | |
| Excluding transfers of indirect costs | $ 63,416 | $ 402,629 | $ 339,213 |

# SUPPLEMENTARY INFORMATION

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# PITTSBURG UNIFIED SCHOOL DISTRICT
# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
# FOR THE YEAR ENDED JUNE 30, 2014

| Federal Grantor/Pass-Through Grantor/Program or Cluster | CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| U. S. DEPARTMENT OF EDUCATION: | | | |
| *Passed through California Department of Education:* | | | |
| Title I, Part A, Basic Grants Low-Income and Neglected | 84.010 | 14329 | $ 1,764,696 |
| Adult Education Cluster | | | |
| Adult Education: Adult Secondary Education | 84.002 | 13978 | 69,346 |
| Adult Education: English Literacy and Civics Education | 84.002A | 14109 | 73,809 |
| Adult Education: Basic Education | 84.002A | 14508 | 130,431 |
| Subtotal Adult Education Cluster | | | 273,586 |
| Title II, Part A, Teacher Quality | 84.367A | 14341 | 474,083 |
| Title II, Part B, CA Mathematics and Science Partnerships | 84.366 | 14512 | 451,321 |
| Title III, Limited English Proficient (LEP) Student Program | 84.365 | 14346 | 356,485 |
| Department of Rehab: Workability II, Transition Partnership | 84.158 | 10006 | 110,109 |
| Special Education Cluster | | | |
| IDEA Basic Local Assistance Entitlement, Part B, Sec 611 | 84.027 | 13379 | 1,596,056 |
| IDEA Mental Health Allocation Plan, Part B, Sec 611 | 84.027 | 14468 | 118,007 |
| Part B, Preschool Grants | 84.173 | 13430 | 101,854 |
| IDEA Preschool Local Entitlement, Part B, Sec 611 | 84.027A | 13682 | 41,637 |
| Subtotal Special Education Cluster | | | 1,857,554 |
| Vocational Programs: Voc & Appl Tech Secondary II C, Sec 132 (Carl Perkins Act) | 84.048 | 14894 | 110,125 |
| Advanced Placement Test Fee Program | 84.330B | 14831 | 13,950 |
| **Total U. S. Department of Education** | | | 5,411,909 |
| U. S. DEPARTMENT OF AGRICULTURE: | | | |
| *Passed through California Department of Education:* | | | |
| Child Nutrition Cluster | | | |
| School Breakfast Program | 10.553 | 23668 | 10,991 |
| National School Lunch Program | 10.555 | 13391 | 3,112,838 |
| Especially Needy Breakfast | 10.553 | 13526 | 1,061,983 |
| USDA Commodities | 10.555 | * | 261,412 |
| Meal Supplements | 10.555 | 13528 | 118,265 |
| Subtotal Child Nutrition Cluster | | | 4,565,489 |
| Child and Adult Food Care Program | 10.558 | 13665 | 632,694 |
| Team Nutrition Grants | 10.574 | * | 15,500 |
| **Total U. S. Department of Agriculture** | | | 5,213,683 |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES: | | | |
| *Passed through California Department of Education:* | | | |
| Child Care and Development Block Grant | 93.575 | 15136 | 175,453 |
| *Passed through California Department of Health Services:* | | | |
| Medi-Cal Billing Option | 93.778 | 10013 | 53,378 |
| **Total U. S. Department of Health & Human Services** | | | 228,831 |
| **Total Federal Expenditures** | | | $ 10,854,423 |

* - PCS Number not available or not applicable

See accompanying note to supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT**
**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)**
**FOR THE YEAR ENDED JUNE 30, 2014**

| | Second Period Report | Revised Second Period Report* | Annual Report |
|---|---|---|---|
| SCHOOL DISTRICT | | | |
| TK/K through Third | | | |
| Regular ADA | 3,308.84 | 3,308.84 | 3,302.46 |
| Extended Year Special Education | 3.28 | 3.28 | 3.28 |
| Special Education - Nonpublic Schools | 5.34 | 5.34 | 6.83 |
| Extended Year Special Education - Nonpublic Schools | 0.34 | 0.34 | 0.34 |
| Total TK/K through Third | 3,317.80 | 3,317.80 | 3,312.91 |
| Fourth through Sixth | | | |
| Regular ADA | 2,434.44 | 2,434.36 | 2,436.04 |
| Extended Year Special Education | 4.19 | 4.19 | 4.19 |
| Special Education - Nonpublic Schools | 7.26 | 7.26 | 8.27 |
| Extended Year Special Education - Nonpublic Schools | 0.79 | 0.79 | 0.79 |
| Total Fourth through Sixth | 2,446.68 | 2,446.60 | 2,449.29 |
| Seventh through Eighth | | | |
| Regular ADA | 1,498.15 | 1,498.01 | 1,493.84 |
| Extended Year Special Education | 3.09 | 3.09 | 3.09 |
| Special Education - Nonpublic Schools | 2.43 | 2.43 | 2.44 |
| Extended Year Special Education - Nonpublic Schools | 0.25 | 0.25 | 0.25 |
| Total Seventh through Eighth | 1,503.92 | 1,503.78 | 1,499.62 |
| Ninth through Twelfth | | | |
| Regular ADA | 2,978.73 | 2,978.56 | 2,948.12 |
| Extended Year Special Education | 3.77 | 3.77 | 3.77 |
| Special Education - Nonpublic Schools | 14.58 | 14.58 | 15.56 |
| Extended Year Special Education - Nonpublic Schools | 1.38 | 1.38 | 1.38 |
| Total Ninth through Twelfth | 2,998.46 | 2,998.29 | 2,968.83 |
| TOTAL SCHOOL DISTRICT | 10,266.86 | 10,266.47 | 10,230.65 |

* Revision due to audit adjustment as well as District adjustments.

See accompanying note to supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT**
**SCHEDULE OF INSTRUCTIONAL TIME**
**FOR THE YEAR ENDED JUNE 30, 2014**

| Grade Level | Minutes Requirement | Minutes Requirement Reduced | 2013-14 Actual Minutes | Number of Days | Status |
|---|---|---|---|---|---|
| Kindergarten | 36,000 | 35,000 | 36,900 | 180 | Complied |
| Grade 1 | 50,400 | 49,000 | 53,125 | 180 | Complied |
| Grade 2 | 50,400 | 49,000 | 53,125 | 180 | Complied |
| Grade 3 | 50,400 | 49,000 | 53,125 | 180 | Complied |
| Grade 4 | 54,000 | 52,500 | 54,675 | 180 | Complied |
| Grade 5 | 54,000 | 52,500 | 54,675 | 180 | Complied |
| Grade 6 | 54,000 | 52,500 | 59,475 | 180 | Complied |
| Grade 7 | 54,000 | 52,500 | 59,475 | 180 | Complied |
| Grade 8 | 54,000 | 52,500 | 59,475 | 180 | Complied |
| Grade 9 | 64,800 | 63,000 | 65,250 | 180 | Complied |
| Grade 10 | 64,800 | 63,000 | 65,250 | 180 | Complied |
| Grade 11 | 64,800 | 63,000 | 65,250 | 180 | Complied |
| Grade 12 | 64,800 | 63,000 | 65,250 | 180 | Complied |

See accompanying note to supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT**
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**
**FOR THE YEAR ENDED JUNE 30, 2014**

| | 2015 (Budget) | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| General Fund - Budgetary Basis** | | | | |
| Revenues And Other Financing Sources | $ 98,435,209 | $ 98,574,350 | $ 83,527,696 | $ 83,342,368 |
| Expenditures And Other Financing Uses | 96,540,951 | 94,161,316 | 88,081,527 | 80,638,972 |
| Net change in Fund Balance | $ 1,894,258 | $ 4,413,034 | $ (4,553,831) | $ 2,703,396 |
| Ending Fund Balance | $ 15,299,138 | $ 13,404,880 | $ 8,991,846 | $ 12,879,837 |
| Available Reserves* | $ 7,892,345 | $ 5,966,702 | $ 3,573,643 | $ 6,564,233 |
| Available Reserves As A Percentage Of Outgo | 8.18% | 6.34% | 4.06% | 8.14% |
| Long-term Debt | $ 231,838,868 | $ 239,523,389 | $ 232,743,885 | $ 197,105,848 |
| Average Daily Attendance At P-2 | 10,271 | 10,267 | 10,043 | 9,843 |

The General Fund balance has increased by $525,043 over the past two years. The fiscal year 2014-15 budget projects a further increase of $1,894,258. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2014-15 fiscal year. Total long term obligations have increased by $42,417,541 over the past two years.

Average daily attendance has increased by 424 ADA over the past two years. An increase of 4 ADA is anticipated during the 2014-15 fiscal year.

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

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

- On behalf payments of $1,933,887 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

See accompanying note to supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT**
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED JUNE 30, 2014**

| | General Fund | Special Reserve Fund for Other Than Capital Outlay Projects | Capital Facilities Fund |
|---|---|---|---|
| June 30, 2014, annual financial and budget report fund balance | $ 13,404,880 | $ 1,786,333 | $ 2,408,496 |
| Adjustments and reclassifications: | | | |
| Increase (decrease) in total fund balances: | | | |
| Decrease in cash with fiscal agent | - | - | (504,937) |
| Fund balance transfer (GASB 54) | 1,786,333 | (1,786,333) | - |
| Net adjustments and reclassifications | 1,786,333 | (1,786,333) | (504,937) |
| June 30, 2014, audited financial statement fund balance | $ 15,191,213 | $ - | $ 1,903,559 |

See accompanying note to supplementary information.

**PITTSBURG UNIFIED SCHOOL DISTRICT**
**COMBINING BALANCE SHEET**
**JUNE 30, 2014**

| | Adult Education Fund | Child Development Fund | Cafeteria Fund | Deferred Maintenance Fund | Capital Facilities Fund | County School Facilities Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Cash and investments | $ - | $ - | $ 823,008 | $ 159,319 | $ 1,912,059 | $ 4,339 | $ 10,754 | $ 2,909,479 |
| Accounts receivable | 365,761 | 281,836 | 771,562 | - | - | - | - | 1,419,159 |
| Stores inventory | - | - | 54,903 | - | - | - | - | 54,903 |
| **Total Assets** | $ 365,761 | $ 281,836 | $ 1,649,473 | $ 159,319 | $ 1,912,059 | $ 4,339 | $ 10,754 | $ 4,383,541 |
| **LIABILITIES** | | | | | | | | |
| Deficit cash | $ 225,217 | $ 203,634 | $ - | $ - | $ - | $ - | $ - | $ 428,851 |
| Accrued liabilities | 35,863 | 9,417 | 161,416 | - | 8,500 | - | - | 215,196 |
| Unearned revenue | 65,330 | - | - | - | - | - | - | 65,330 |
| **Total Liabilities** | 326,410 | 213,051 | 161,416 | - | 8,500 | - | - | 709,377 |
| **FUND BALANCES** | | | | | | | | |
| Non-spendable | 5,000 | - | 54,903 | - | - | - | - | 59,903 |
| Restricted | 8,027 | 68,785 | 1,433,154 | - | 1,903,559 | 4,339 | 10,754 | 3,428,618 |
| Committed | 26,324 | - | - | 159,319 | - | - | - | 185,643 |
| **Total Fund Balances** | 39,351 | 68,785 | 1,488,057 | 159,319 | 1,903,559 | 4,339 | 10,754 | 3,674,164 |
| **Total Liabilities and Fund Balance** | $ 365,761 | $ 281,836 | $ 1,649,473 | $ 159,319 | $ 1,912,059 | $ 4,339 | $ 10,754 | $ 4,383,541 |

See accompanying note to supplementary information.

## PITTSBURG UNIFIED SCHOOL DISTRICT
## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## FOR THE YEAR ENDED JUNE 30, 2014

| | Adult Education Fund | Child Development Fund | Cafeteria Fund | Deferred Maintenance Fund | Capital Facilities Fund | County School Facilities Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds |
|---|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | | |
| Federal sources | $ 407,830 | $ 175,453 | $ 5,213,684 | $ - | $ - | $ - | $ - | $ 5,796,967 |
| Other state sources | - | 1,155,588 | 374,074 | - | - | - | - | 1,529,662 |
| Other local sources | 201,708 | 81,935 | 513,982 | 604 | 16,225 | 4,339 | 5,809 | 824,602 |
| **Total Revenues** | 609,538 | 1,412,976 | 6,101,740 | 604 | 16,225 | 4,339 | 5,809 | 8,151,231 |
| **EXPENDITURES** | | | | | | | | |
| Current | | | | | | | | |
| Instruction | 1,457,702 | 1,003,502 | - | - | - | - | - | 2,461,204 |
| Instruction-related services | | | | | | | | |
| School site administration | 594,808 | 281,653 | - | - | - | - | - | 876,461 |
| Pupil services | | | | | | | | |
| Food services | - | 7,716 | 5,570,705 | - | - | - | - | 5,578,421 |
| All other pupil services | 10,462 | - | - | - | - | - | - | 10,462 |
| General administration | | | | | | | | |
| All other general administration | - | 71,241 | 272,189 | - | - | - | - | 343,430 |
| Plant services | 232,882 | 48,761 | 9,424 | 112,578 | - | - | - | 403,645 |
| Facilities acquisition and maintenance | - | - | - | 322,457 | 2,135,876 | - | 509,425 | 2,967,758 |
| Enterprise activities | - | - | 9,008 | - | - | - | - | 9,008 |
| Transfers to other agencies | - | - | - | - | 101,346 | - | - | 101,346 |
| Debt service | | | | | | | | |
| Principal | - | - | - | - | 1,690,000 | - | - | 1,690,000 |
| Interest and other | - | - | - | - | 1,061,766 | - | - | 1,061,766 |
| **Total Expenditures** | 2,295,854 | 1,412,873 | 5,861,326 | 435,035 | 4,988,988 | - | 509,425 | 15,503,501 |
| **Excess (Deficiency) of Revenues** | | | | | | | | |
| **Over Expenditures** | (1,686,316) | 103 | 240,414 | (434,431) | (4,972,763) | 4,339 | (503,616) | (7,352,270) |
| **Other Financing Sources (Uses)** | | | | | | | | |
| Transfers in | 86,915 | - | - | 355,221 | 2,921,773 | - | - | 3,363,909 |
| **Net Financing Sources (Uses)** | 86,915 | - | - | 355,221 | 2,921,773 | - | - | 3,363,909 |
| **NET CHANGE IN FUND BALANCE** | (1,599,401) | 103 | 240,414 | (79,210) | (2,050,990) | 4,339 | (503,616) | (3,988,361) |
| **Fund Balance - Beginning, as Restated** | 1,638,752 | 68,682 | 1,247,643 | 238,529 | 3,954,549 | - | 514,370 | 7,662,525 |
| **Fund Balance - Ending** | $ 39,351 | $ 68,785 | $ 1,488,057 | $ 159,319 | $ 1,903,559 | $ 4,339 | $ 10,754 | $ 3,674,164 |

See accompanying note to supplementary information.

## NOTE 1 – PURPOSE OF SCHEDULES

### Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2014 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2014.

| | CFDA Number | Amount |
|---|---|---|
| Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance | | $ 10,866,440 |
| Medi-Cal Billing Option | 93.778 | (12,017) |
| Total Expenditures reported in the Schedule of Expenditures of Federal Awards | | $10,854,423 |

### Schedule of Average Daily Attendance (ADA)

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

### Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208. During the year ended June 30, 2014, the District participated in the Longer Day incentive funding program. As of June 30, 2014, the District had not yet met its target funding. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to *Education Code Section* 46201.2.

**NOTE 1 – PURPOSE OF SCHEDULES (continued)**

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

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

**Combining Statements – Non-Major Funds**
These statements provide information on the District's non-major funds.

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

# OTHER INDEPENDENT AUDITORS' REPORTS

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

Independent Auditors' Report

Governing Board
Pittsburg Unified School District
Pittsburg, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pittsburg Unified School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Pittsburg Unified School District's basic financial statements, and have issued our report thereon dated December 15, 2014.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2014-1)

**Compliance and Other Matters**

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

**Pittsburg Unified School District's Response to Findings**

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

**Purpose of this Report**

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

Christy White Associates

San Diego, California
December 15, 2014

christy white
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associates

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

Independent Auditors' Report

Governing Board
Pittsburg Unified School District
Pittsburg, California

**Report on Compliance for Each Major Federal Program**

We have audited Pittsburg Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Pittsburg Unified School District's major federal programs for the year ended June 30, 2014. Pittsburg Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, Pittsburg Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

Management of Pittsburg Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pittsburg Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pittsburg Unified School District's internal control over compliance.

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

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

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

Christy White Associates

San Diego, California
December 15, 2014

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## REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
Pittsburg Unified School District
Pittsburg, California

**Report on State Compliance**

We have audited Pittsburg Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2013-14*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Pittsburg Unified School District's state programs for the fiscal year ended June 30, 2014, as identified below.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Pittsburg Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2013-14*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Pittsburg Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

*Opinion on State Compliance*

In our opinion, Pittsburg Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2014.

*Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying schedule of findings and questioned costs as item #2014-2. Our opinion on state compliance is not modified with respect to this matter.

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

*Procedures Performed*

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

| PROGRAM NAME | PROCEDURES IN AUDIT GUIDE | PROCEDURES PERFORMED |
|---|---|---|
| Attendance Reporting | 6 | Yes |
| Teacher Certification and Misassignments | 3 | Yes |
| Kindergarten Continuance | 3 | Yes |
| Independent Study | 23 | No |
| Continuation Education | 10 | Yes |
| Instructional Time for school districts | 10 | Yes |
| Instructional Materials, general requirements | 8 | Yes |
| Ratios of Administrative Employees to Teachers | 1 | Yes |
| Classroom Teacher Salaries | 1 | Yes |
| Early Retirement Incentive | 4 | Not Applicable |
| Gann Limit Calculation | 1 | Yes |
| School Accountability Report Card | 3 | Yes |
| Juvenile Court Schools | 8 | Not Applicable |
| Local Control Funding Formula Certification | 1 | Yes |
| California Clean Energy Jobs Act | 3 | Yes |

*Procedures Performed (continued)*

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

We did not perform procedures for Independent Study, because the ADA was below the threshold required for testing.

Christy White Associates

San Diego, California
December 15, 2014

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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**PITTSBURG UNIFIED SCHOOL DISTRICT**
**SUMMARY OF AUDITORS' RESULTS**
**FOR THE YEAR ENDED JUNE 30, 2014**

**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

| CFDA Number(s) | Name of Federal Program of Cluster |
|---|---|
| 84.027, 84.173, 84.027A | Special Education Cluster |
| 84.367A | Title II, Part A, Teacher Quality |
| 84.366 | Title II, Part B, CA Mathematics and Science Partnerships |
| 84.365 | Title III, Limited English Proficient (LEP) Student Program |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $ 325,633 |
| Auditee qualified as low-risk auditee? | Yes |

**STATE AWARDS**

| | |
|---|---|
| Internal control over state programs: | |
| Material weaknesses identified? | No |
| Significant deficiency(ies) identified? | Yes |
| Type of auditors' report issued on compliance for state programs: | Unmodified |

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

**FINDING #2014-1: BANK ACCOUNTS AND RECONCILIATIONS (30000)**

**Criteria:** All District bank accounts should be reconciled on a timely basis.

**Condition:** In our testing of cash in banks and cash with fiscal agent, it was determined that the reconciliations were not prepared timely and accurately. Additionally, we noted several large reconciling items in the reconciliation of cash in county treasury.

**Cause:** Reconciliations were not prepared timely.

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

**Perspective:** There was an adjustment necessary to properly state the District's cash with fiscal agent balance.

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

**District Response:** The District has established procedures to ensure that the cash with fiscal agent balance is reconciled regularly throughout the fiscal year.

| **FIVE DIGIT CODE** | **AB 3627 FINDING TYPE** |
|---|---|
| 50000 | Federal Compliance |

***There were no Federal award findings and questioned costs for the year ended June 30, 2014.***

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

## FINDING #2014-2: SHORT TERM INDEPENDENT STUDY (10000)

**State Funding Source:** Attendance, independent study program.

**Criteria:** For attendance generated through independent study, all independent study written agreements need to contain the signatures of the pupil, pupil's parent, and a certificated employee affixed prior to the commencement of the independent study (Education Code Section 51747(c)(8)).

**Condition:** Through our testing of the school site short-term Independent Study pupils, we noted the following internal control deficiency:

*Foothill Elementary School*

- One (1) out of 5 independent study agreements was inadequate. Contract dated 12/13/13 – 1/6/14: Original contract was lost and the teacher created a new one in order to sign off on the work that was completed. New contract is missing signatures from the student, parent, and administrator. This deficiency indicated 7 apportionment days overstated.

**Cause:** Procedures were not fully followed to obtain all required elements of the independent study agreement and correctly record independent study contracts in the attendance system.

**Perspective:** The error found was within the short-term independent study program only and minor overall.

**Effect:** Possible loss of apportionment funding for days of attendance related to deficient independent study contracts.

**ADA Impact:** 6 attendance days were understated as tested in grade span K-3. Given 136 days in the P2 reporting period and a K-3 LCFF base amount of $7,557, the estimated questioned cost to the District is $333.

**FINDING #2014-2: SHORT TERM INDEPENDENT STUDY (10000) (continued)**

**Recommendation:** We recommend that the District revise the Second Period attendance report and implement internal control procedures to ensure that independent study contracts are being filled out with all necessary information required by Education Code Section 51747 and completed prior to the beginning of the contract.

**District Response:** The District will provide additional training and implement procedures to ensure that independent study contracts are properly completed.

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

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

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

***Martin Luther King Jr., Junior High***

*Disbursements*

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

*Cash Receipts*

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

***Pittsburg High School***

*Disbursements*

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

*Cash Receipts*

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

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

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

***Hillview Junior High***

*Cash Receipts*

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

**Cause:** Insufficient controls over student body activities.

**Effect:** The potential for irregularities to go undetected.

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

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

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

**Current Status:** Implemented.

# APPENDIX D

# EXERPTS FROM THE COUNTY INVESTMENT PORTFOLIO REPORT

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**CONTRA COSTA COUNTY INVESTMENT POOL**
**As of December 31, 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) | $33,860,000.00 | $34,484,594.89 | $34,195,845.20 | 1.32% |
| 2. U.S. Agencies | | | | |
| Federal Agriculture Mortgage Corporation | 0.00 | 0.00 | 0.00 | 0.00% |
| Federal Home Loan Banks | 103,787,857.14 | 103,962,381.27 | 103,700,307.80 | 3.99% |
| Federal National Mortgage Association | 88,575,000.00 | 90,078,506.65 | 89,013,449.92 | 3.45% |
| Federal Farm Credit Banks | 88,085,000.00 | 88,141,728.57 | 88,044,852.78 | 3.38% |
| Federal Home Loan Mortgage Corporation | 76,708,000.00 | 77,007,402.27 | 76,637,216.39 | 2.95% |
| Municipal Bonds | 6,620,000.00 | 6,888,245.85 [1] | 6,888,245.85 [1] | 0.26% |
| Subtotal | 363,775,857.14 | 366,078,264.61 | 364,284,072.74 | 14.04% |
| 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 | 776,274,000.00 | 775,641,539.41 | 775,824,841.63 | 29.75% |
| Negotiable Certificates of Deposit | 598,570,000.00 | 598,572,855.38 | 598,730,399.85 | 22.96% |
| Medium Term Certificates of Deposit | 4,025,000.00 | 4,021,780.00 | 4,021,780.00 | 0.15% |
| 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 | 1,379,437,654.09 | 1,378,804,828.88 | 1,379,145,675.57 | 52.88% |
| 4. Corporate Notes | 108,412,000.00 | 108,509,761.20 | 108,537,516.88 | 4.16% |
| **TOTAL (Section A.)** | 1,885,485,511.23 | 1,887,877,449.58 | 1,886,163,110.39 | 72.40% |
| **B. Investments Managed by Outside Contractors** | | | | |
| 1. Local Agency Investment Fund | 206,093,386.67 | 206,093,386.67 | 206,089,343.12 [2] | 7.90% |
| 2. Other | | | | |
| a. EBRCS Bond | 2,375,175.55 | 2,375,175.55 | 2,375,175.55 | 0.09% |
| b. Miscellaneous (BNY, CCFCU) | 110,502.25 | 110,502.25 | 110,502.25 | 0.00% |
| c. Wells Capital Management | 44,033,348.14 | 44,435,676.69 | 44,326,237.89 | 1.70% |
| d. CalTRUST (Short-Term Fund) | 148,319,571.89 | 148,319,571.89 | 148,319,571.89 | 5.69% |
| Subtotal | 194,838,597.83 | 195,240,926.38 | 195,131,487.58 | 7.49% |
| **TOTAL (Section B.)** | 400,931,984.50 | 401,334,313.05 | 401,220,830.70 | 15.39% |
| **C. Cash** | 318,317,841.45 | 318,317,841.45 | 318,317,841.45 | 12.21% |
| **[3]GRAND TOTAL (FOR A , B, & C)** | $2,604,735,337.18 | $2,607,529,604.08 | $2,605,701,782.54 | 100.00% |

Notes:

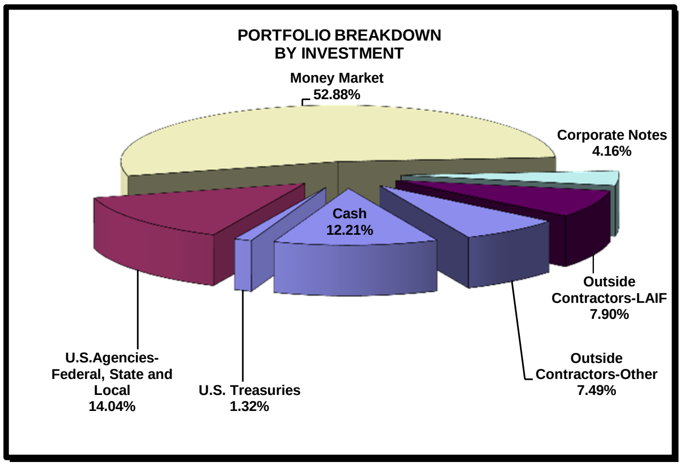
1. Fair Value equals Cost less purchase interest

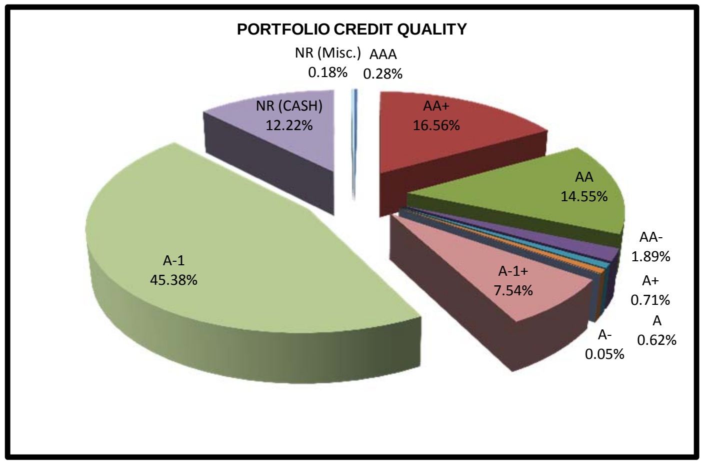
2. Estimated Fair Value

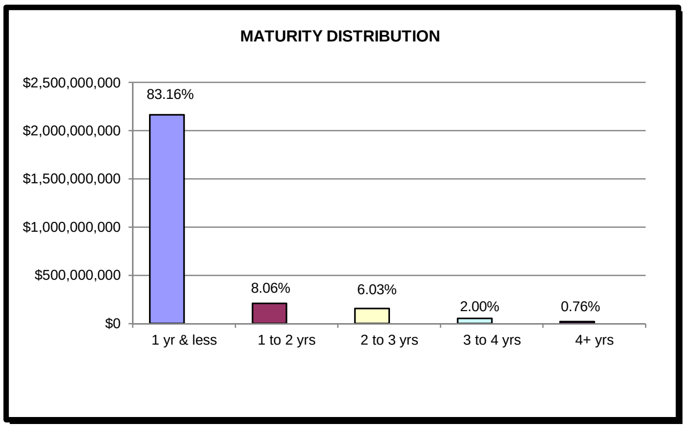
3. Does not include the Futuris Public Entity Trust of the Contra Costa Community College District Retirement Board of Authority

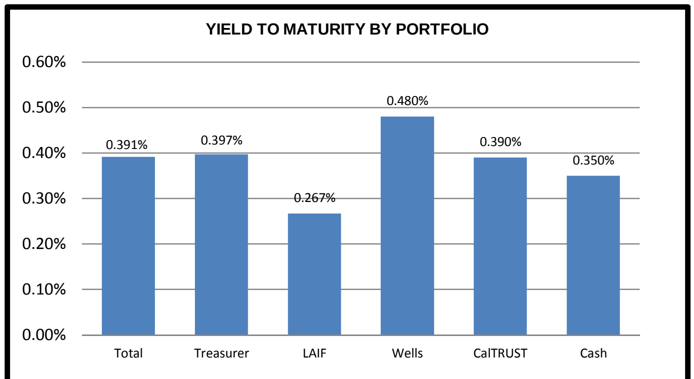
# CONTRA COSTA COUNTY
# INVESTMENT POOL
# AT A GLANCE

***AS OF DECEMBER 31, 2014***

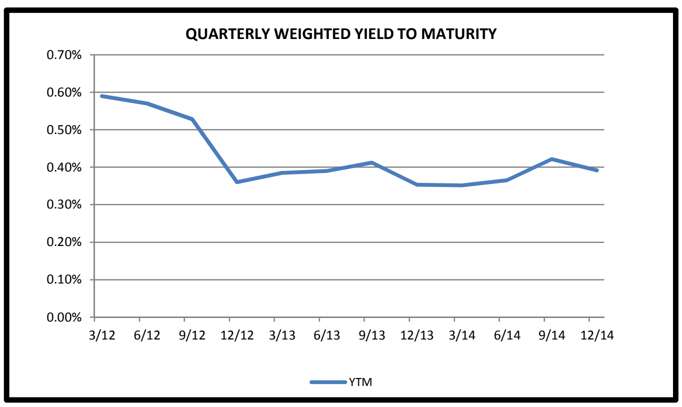


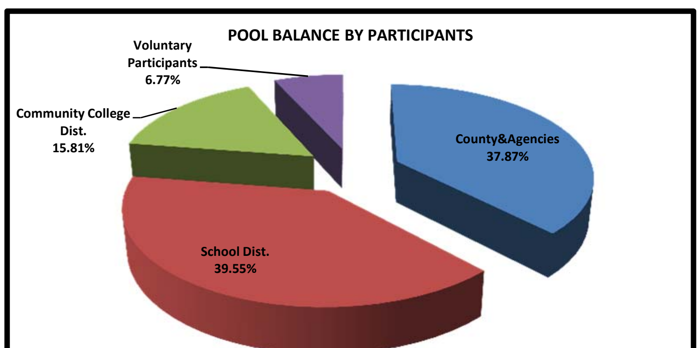




Note: Total is 100% of the portfolio; Treasurer-72%; LAIF-8%; Wells Cap-2%; CalTRUST-6% and Cash-12%



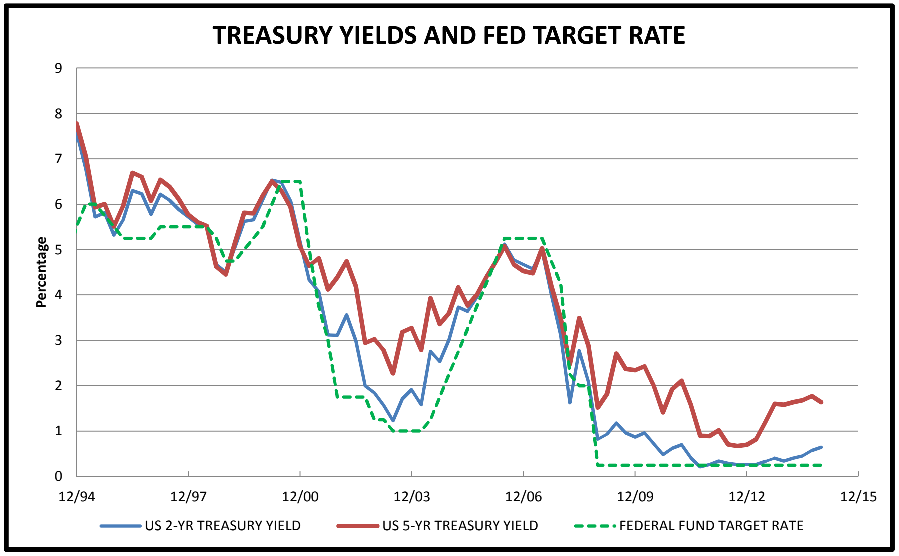

Note: More than 30% of the School Dist. funds from the bond proceeds

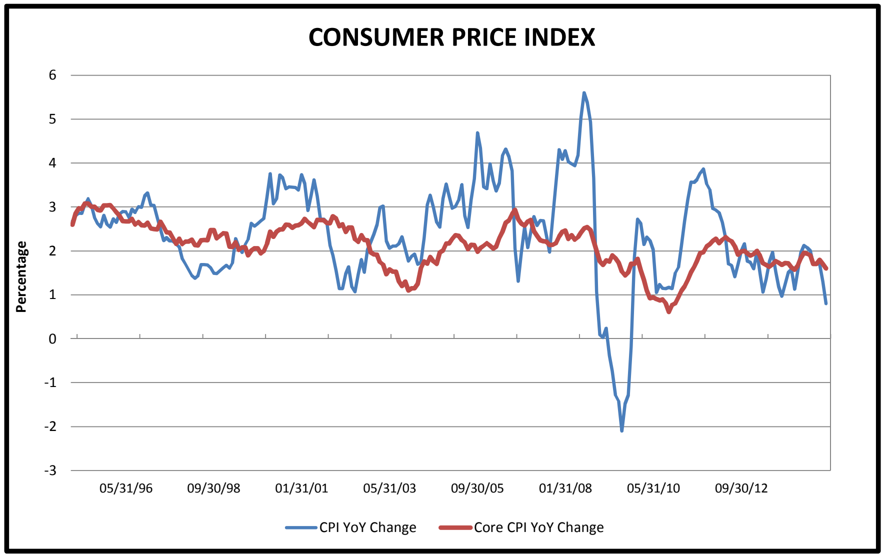
## NOTES TO INVESTMENT PORTFOLIO SUMMARY AND AT A GLANCE AS OF DECEMBER 31, 2014

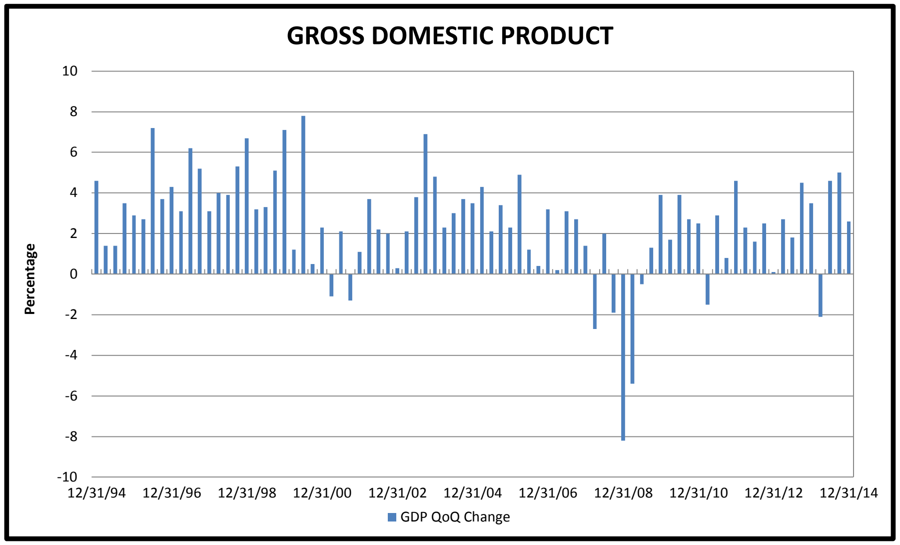
1. All report information is unaudited but due diligence was utilized in its preparation.
2. There may be slight differences between the portfolio summary page and the attached exhibits and statements for investments managed by outside contractors or trustees. The variance is due to the timing difference 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 safeguards the principal, meets the liquidity needs and achieves a return. As a result, more than 83% of the portfolio will mature in less than a year with a weighted average maturity of 196 days.

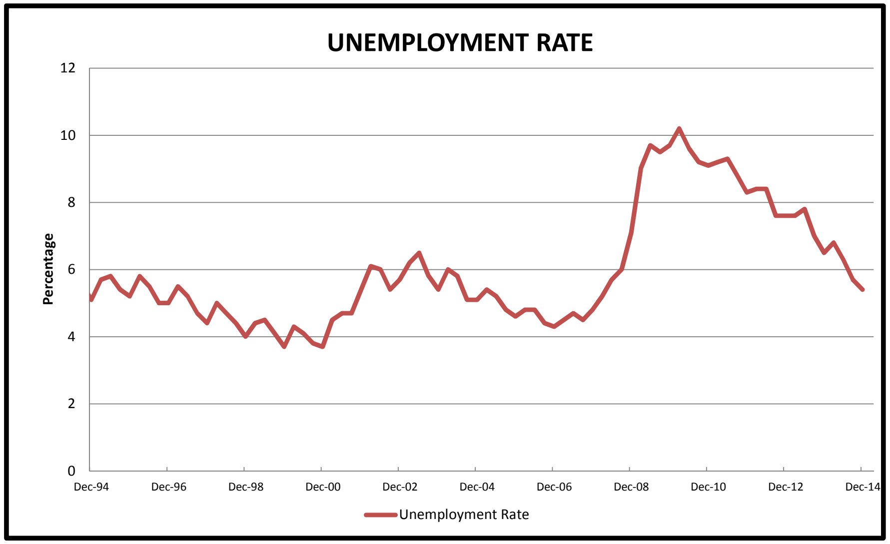
# MAJOR MARKET AND ECONOMIC DATA

*AS OF DECEMBER 31, 2014*




Note:
All data provided by Bloomberg

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# APPENDIX E

## FORMS OF OPINION OF BOND COUNSEL

**Pittsburg Unified School District**
**(Contra Costa County, California)**
**General Obligation Bonds, Election of 2014, Series A (2015)**

[Letterhead of Quint & Thimmig LLP]

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

***OPINION:*** $30,000,000* Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2014, Series A (2015)

---

Members of the Board of Trustees:

We have acted as bond counsel to the Pittsburg Unified School District (the "District") in connection with the issuance by the District of $30,000,000* principal amount of Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2014, Series A (2015) (the "2014A Bonds"), pursuant to provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), and a resolution adopted by the Board of Trustees of the District on February 25, 2015 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The District is duly created and validly existing as a school district with the power to cause the Board to issue the 2014A Bonds in its name and to perform its obligations under the Resolution and the 2014A Bonds.

2. The Resolution has been duly adopted by the District and creates a valid first lien on the funds pledged under the Board Resolution for the security of the 2014A Bonds.

3. The 2014A Bonds have been duly authorized, executed and delivered by the Board and are valid and binding general obligations of the District. The Board of Supervisors of Contra Costa County is

* Preliminary, subject to change.

required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the 2014A Bonds. The 2014A Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

4. Subject to the District's compliance with certain covenants, interest on the 2014A Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such District covenants could cause interest on the 2014A Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the 2014A Bonds.

5. The interest on the 2014A Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the 2014A Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the 2014A Bonds.

The rights of the owners of the 2014A Bonds and the enforceability of the 2014A Bonds and the Resolution may be subject to the bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

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

Respectfully submitted,

**Pittsburg Unified School District**
**(Contra Costa County, California)**
**2015 General Obligation Refunding Bonds**

[Letterhead of Quint & Thimmig LLP]

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

***OPINION:*** $42,000,000* Pittsburg Unified School District (Contra Costa County, California) 2015 General Obligation Refunding Bonds

---

Members of the Board of Trustees:

We have acted as bond counsel to the Pittsburg Unified School District (the "District") in connection with the issuance by the District of $42,000,000* principal amount of Pittsburg Unified School District (Contra Costa County, California) 2015 General Obligation Refunding Bonds (the "2015 Refunding Bonds"), pursuant to provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code (the "Act"), and a resolution adopted by the Board of Trustees of the District on February 25, 2015 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The District is duly created and validly existing as a school district with the power to cause the Board to issue the 2015 Refunding Bonds in its name and to perform its obligations under the Resolution and the 2015 Refunding Bonds.

2. The Resolution has been duly adopted by the District and creates a valid first lien on the funds pledged under the Resolution for the security of the 2015 Refunding Bonds.

3. The 2015 Refunding Bonds have been duly authorized, executed and delivered by the Board and are valid and binding general obligations of the District. The Board of Supervisors of Santa Clara County is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the 2015 Refunding Bonds. The 2015 Refunding Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

---

* Preliminary, subject to change.

4. Subject to the District's compliance with certain covenants, interest on the 2015 Refunding Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such District covenants could cause interest on the 2015 Refunding Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the 2015 Refunding Bonds.

5. The interest on the 2015 Refunding Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the 2015 Refunding Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the 2015 Refunding Bonds.

The rights of the owners of the 2015 Refunding Bonds and the enforceability of the 2015 Refunding Bonds and the Resolution may be subject to the bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

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

Respectfully submitted,

# APPENDIX F

## FORMS OF CONTINUING DISCLOSURE CERTIFICATES

**Pittsburg Unified School District**
**(Contra Costa County, California)**
**General Obligation Bonds, Election of 2014, Series A (2015)**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the PITTSBURG UNIFIED SCHOOL DISTRICT (the "District") in connection with the issuance by the District of its $30,000,000* Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2014, Series A (2015) (the "2014A Bonds"). The 2014A Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on March 20, 2014 (the "Resolution"). The District covenants and agrees as follows:

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

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

"*Beneficial Owner*" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2014A Bonds (including persons holding 2014A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2014A Bonds for federal income tax purposes.

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

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

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

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

* Preliminary, subject to change.

"*Participating Underwriter*" shall mean the original underwriter of the 2014A Bonds, required to comply with the Rule in connection with offering of the 2014A Bonds.

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

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the 2014A Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2014-15 Fiscal Year, which is due not later than March 31, 2016, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance*. If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

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

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the 2014A Bonds, as follows:

(i) The District's approved budget for the then current fiscal year;
(ii) Assessed value of taxable property in the District as shown on the recent equalized assessment role; and
(iii) Property tax levies, collections and delinquencies for the District, for the most recent completed fiscal year.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination (if not the District) to, give notice of the occurrence of any of the following events with respect to the 2014A Bonds:

(1) Principal and interest payment delinquencies.
(2) Unscheduled draws on debt service reserves reflecting financial difficulties.
(3) Unscheduled draws on credit enhancements reflecting financial difficulties.
(4) Substitution of credit or liquidity providers, or their failure to perform.
(5) Defeasances.
(6) Rating changes.
(7) Tender offers.
(8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
(9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other

material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2014A Bonds, if material:

(1) Non-payment related defaults.
(2) Modifications to rights of security holders.
(3) Bond calls.
(4) The release, substitution, or sale of property securing repayment of the securities.
(5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected 2014A Bonds under the Resolution.

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

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the 2014A Bonds. If such termination occurs prior to the final maturity of the 2014A Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any 2014A Bondholder, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

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

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

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

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2014A Bonds, or the type of business conducted.

(b) *Compliance as of Issue Date*. The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2014A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the 2014A Bondholders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of 2014A Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the 2014A Bondholders or Beneficial Owners.

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

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

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any 2014A Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Paying Agent under the Resolution. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the 2014A Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the 2014A Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

PITTSBURG UNIFIED SCHOOL DISTRICT

By ____________________________________
Authorized Officer

ACKNOWLEDGED:

PUBLIC FINANCIAL MANAGEMENT,
INC., as Dissemination Agent

By ____________________________________
Authorized Officer

**EXHIBIT A**

**NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT**

| | |
|---|---|
| Name of Issuer: | Pittsburg Unified School District |
| Name of Issue: | Pittsburg Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 2014, Series A (2015) |
| Date of Issuance: | [Closing Date] |

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

Dated: __________________________

PUBLIC FINANCIAL MANAGEMENT, INC., as Dissemination Agent

By ____________________________________

Title __________________________________

cc: Paying Agent

**Pittsburg Unified School District**
**(Contra Costa County, California)**
**2015 General Obligation Refunding Bonds**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the PITTSBURG UNIFIED SCHOOL DISTRICT (the "District") in connection with the issuance by the District of its $42,000,000* Pittsburg Unified School District (County of Contra Costa, California) 2015 General Obligation Refunding Bonds (the "2015 Refunding Bonds"). The 2015 Refunding Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on February 25, 2015 (the "Resolution"). The District covenants and agrees as follows:

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

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

"*Beneficial Owner*" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2015 Refunding Bonds (including persons holding 2015 Refunding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2015 Refunding Bonds for federal income tax purposes.

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

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

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

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

"*Participating Underwriter*" shall mean the original underwriter of the 2015 Refunding Bonds, required to comply with the Rule in connection with offering of the 2015 Refunding Bonds.

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

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* Preliminary, subject to change.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the 2015 Refunding Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2014-15 Fiscal Year, which is due not later than March 31, 2016, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance*. If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

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

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the 2015 Refunding Bonds, as follows:

(i) The District's approved budget for the then current fiscal year;

(ii) Assessed value of taxable property in the District as shown on the recent equalized assessment role; and

(iii) Property tax levies, collections and delinquencies for the District, for the most recent completed fiscal year.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination (if not the District) to, give notice of the occurrence of any of the following events with respect to the 2015 Refunding Bonds:

(1) Principal and interest payment delinquencies.
(2) Unscheduled draws on debt service reserves reflecting financial difficulties.
(3) Unscheduled draws on credit enhancements reflecting financial difficulties.
(4) Substitution of credit or liquidity providers, or their failure to perform.
(5) Defeasances.
(6) Rating changes.
(7) Tender offers.
(8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
(9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), 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) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2015 Refunding Bonds, if material:

(1) Non-payment related defaults.
(2) Modifications to rights of security holders.
(3) Bond calls.
(4) The release, substitution, or sale of property securing repayment of the securities.
(5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected 2015 Refunding Bonds under the Resolution.

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

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the 2015 Refunding Bonds. If such termination occurs prior to the final maturity of the 2015 Refunding Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any 2015 Refunding Bondholder, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

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

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

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

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2015 Refunding Bonds, or the type of business conducted.

(b) *Compliance as of Issue Date*. The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2015 Refunding Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the 2015 Refunding Bondholders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of 2015 Refunding Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the 2015 Refunding Bondholders or Beneficial Owners.

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

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

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any 2015 Refunding Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Paying Agent under the Resolution. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the 2015 Refunding Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the 2015 Refunding Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

PITTSBURG UNIFIED SCHOOL DISTRICT

By ______________________________________
Authorized Officer

ACKNOWLEDGED:

PUBLIC FINANCIAL MANAGEMENT, INC., as Dissemination Agent

By ______________________________________
Authorized Officer

**EXHIBIT A**

**NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Pittsburg Unified School District

Name of Issue: Pittsburg Unified School District (County of Contra Costa, California) 2015 General Obligation Refunding Bonds

Date of Issuance: [Closing Date]

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

Dated: ___________________________

PUBLIC FINANCIAL MANAGEMENT, INC., as Dissemination Agent

By _____________________________________
Title ___________________________________

cc: Paying Agent

# APPENDIX G

# BOOK-ENTRY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the District determines that DTC shall no longer act and delivers a written certificate to the Paying Agent to that effect, then the District will discontinue the Book-Entry System with DTC for the Bonds. If the District determines to replace DTC with another qualified securities depository, the District will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Resolution. If the District fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) payment of principal of and interest on the Bonds will be payable upon surrender thereof at the trust office of the Paying Agent identified in the Resolution, and (iii) the Bonds will be transferable and exchangeable as provided in the Resolution.

*The District and the Paying Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of and interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Resolution; (iv) any consent given or other action taken by DTC as registered owner; or (v) any other matter arising with respect to the Bonds or the Resolution. The District and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of and interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The District and the Paying Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.*

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