This Preliminary Official Statement and the information contained herein are subject to completion and amendment. The information set forth herein has been obtained from sources which are believed to be reliable and is in a form deemed final as of its date by the District for purposes of Rule 15c2-12 of the Securities and Exchange Commission. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of these securities by any person, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 15, 2011

NEW ISSUE — BOOK-ENTRY ONLY

RATING:
Standard & Poor's: "AA-"
(See **"MISCELLANEOUS — Rating"** herein).

*In the opinion of Quint & Thimmig LLP, San Francisco, California, 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 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.*

$59,865,000*
BERKELEY UNIFIED SCHOOL DISTRICT
(Alameda County, California)
2011 GENERAL OBLIGATION REFUNDING BONDS

Dated: Date of Delivery

Due: February 1 or August 1, as shown below

The Bonds are issued by the Berkeley Unified School District (the "District"), and the Board of Supervisors of Alameda County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), for the payment of interest on, and principal of, the Bonds, all as more fully described herein under **"THE BONDS"** and **"*AD VALOREM* PROPERTY TAXATION."** Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2012. The Bonds, when delivered, will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds as described herein under **"BOOK-ENTRY SYSTEM."** *The Bonds due on or before August 1, 2019, are not subject to optional redemption; the Bonds due on and after August 1,2020 are subject to optional redemption on or after August 1, 2019 as described herein.*

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

KNN
public finance
A Division of Zions First National Bank

MATURITY SCHEDULE
(Base CUSIP No.: _________ -) [(a)]

Maturity	Principal Amount	Interest Rate	Yield	CUSIP Suffix	Maturity	Principal Amount	Interest Rate	Yield	CUSIP Suffix
Feb. 1 2012					Aug. 1 2019				
Aug. 1 2012					Aug. 1 2020				
Aug. 1 2013					Aug. 1 2021				
Aug. 1 2014					Aug. 1 2022				
Aug. 1 2013					Aug. 1 2023				
Aug. 1 2014					Aug. 1 2024				
Aug. 1 2015					Aug. 1 2025				
Aug. 1 2016					Aug. 1 2026				
Aug. 1 2017					Aug. 1 2027				
Aug. 1 2018									

Pursuant to the terms of a public sale on September____, 2011, the Bonds were awarded to___________________., as Underwriter, at a true interest cost of ________%.. The Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Quint & Thimmig LLP, Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through The Depository Trust Company in New York, New York, on or about November 1, 2011.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

Official Statement Date: September__, 2011.

[(a)] *CUSIP is a registered trademark of the American Bankers Association. CUSIP data on the cover hereof is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. The City, the Authority, the Financial Advisor and the Underwriter are not responsible for the selection or correctness of these CUSIP numbers.*

*Preliminary; subject to change.

No dealer, broker, salesperson or other person has been authorized by the Berkeley Unified School District (the "District") to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall 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.

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 a representation of facts. The summaries and descriptions of 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 such document, statute and constitutional provision.

The information set forth herein, other than that provided by the District, has been obtained from sources which the District believes to be reliable. The information and expressions of opinion 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 PRICES AND OTHER TERMS OF THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER SUCH BONDS ARE RELEASED FOR SALE AND SUCH BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL SUCH BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES FOR SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(a)(2) OF SUCH ACT.

BERKELEY UNIFIED SCHOOL DISTRICT

Board of Education

Beatriz Leyva-Cutler
President

John T. Selawsky
Vice President

Karen Hemphill
Director

Leah Wilson
Director

Josh Daniels
Director

Maddy Roberts
Student Director

District Administration

William Huyett
Superintendent

Javetta Cleveland, CPA
Deputy Superintendent

Alameda County Treasurer/Tax Collector

Donald R. White

PROFESSIONAL SERVICES

Financial Advisor

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

Bond Counsel

Quint & Thimmig LLP
San Francisco, California

Paying Agent, Registrar and Transfer Agent

U. S. Bank National Association
San Francisco, California

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OFFICIAL STATEMENT

$59,865,000*
BERKELEY UNIFIED SCHOOL DISTRICT
(Alameda County, California)
2011 GENERAL OBLIGATION REFUNDING BONDS

INTRODUCTION

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

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of $_____________,000* principal amount of Berkeley Unified School District (Alameda County, California) 2011 General Obligation Refunding Bonds (the "Bonds"), as described more fully herein.

The District

Berkeley Unified School District (the "District") provides educational services to the residents of the City of Berkeley (the "City"), located in Alameda County (the "County"), California (the "State"), approximately 10 miles northeast of the City of San Francisco. More detailed information regarding the area served by the District, the student population of the District, the tax base of the District and the financial position of the District may be found under **"DISTRICT GENERAL AND FINANCIAL INFORMATION"** and **DISTRICT TAX BASE INFORMATION"** herein.

Sources of Payment for the Bonds

The Bonds are obligations of the District and the Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), as necessary for payment of interest on and principal of the Bonds. See **"SECURITY AND SOURCES OF PAYMENT", "*AD VALOREM* PROPERTY TAXATION"** and **"DISTRICT TAX BASE INFORMATION"** herein.

Purpose of the Bonds

The proceeds of the Bonds will be used to refund all $38,150,000 of the District's outstanding General Obligation Bonds, Election of 2000, Series 2003 (the "Series 2003 Bonds") maturing on or after August 1, 2012 (the "2003 Prior Bonds"), all $20,105,000 of the District's outstanding 2004 General Obligation Refunding Bonds (the "2004 Refunding Bonds") maturing on or after August 1, 2012 (the " 2004 Prior Bonds) and pay the costs of issuing the Bonds. The 2003 Prior Bonds and the 2004 Prior Bonds are,

*Preliminary; subject to change

together, the "Prior Bonds" herein. The Series 2003 Bonds were issued originally in the principal amount of $50,000,000, and the 2004 Refunding Bonds originally in the principal amount of $28,950,000. See **"District Bonds"** below and **"THE BONDS - Purpose of the Bonds"** herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the California Government Code (the "Government Code") and applicable provisions of the California Education Code (the "Education Code"), and a Paying Agent Agreement dated as of February 1, 2011 (the "Paying Agent Agreement") by and between the District and U. S. Bank National Association (the "Paying Agent"), pursuant to a resolution adopted by the Board of Trustees of the District on September 14, 2011. See **"THE BONDS — Authority for Issuance; Purpose"** herein.

Description of the Bonds

The Bonds will be issued as fully registered bonds, without coupons, in denominations of $5,000 each or in any integral multiple thereof, and will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as DTC, or Cede & Co., as its nominee, is the registered owner of all the Bonds, payments on the Bonds will be made directly to DTC, and disbursement of such payments to the DTC Participants (defined herein) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (defined herein) will be the responsibility of the DTC Participants, as more fully described hereinafter. The Bonds will pay interest on each February 1 and August 1 each year, commencing on February 1, 2010, calculated on the basis of a 30 day month, 360 day year. See **"THE BONDS"** and **"BOOK-ENTRY SYSTEM"** herein.

Bonds maturing on and after August 1, 2020 may be redeemed prior to maturity at the option of the District beginning on August 1, 2019, as described under **"THE BONDS — Redemption"** herein.

Tax Matters

In the opinion of 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 addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State. See **"TAX MATTERS"** herein.

District Bonds

The District received authorization, at the June 2, 1992 election, by a vote in excess of two-thirds of the voters voting, to issue $158,000,000 of general obligation bonds (the "1992 Authorization"). All of the 1992 Authorization has been issued at various times with the District's General Obligation Bonds, Election of 1992, Series A through I and, except for a $500,000 portion, the District's 2009 General Obligation Bonds (the "2009 Bonds").

The District received a second bond authorization, at the November 7, 2000 election, by a vote in excess of two-thirds of the voters voting, to issue $116,500,000 of general obligation bonds (the "2000 Authorization"). All of the 2000 Authorization has been issued with the District's General Obligation

Bonds, Election of 2000, Series 2001, Series 2003, Series 2005, Series 2007 and a $500,000 portion of the District's 2009 General Obligation Bonds.

The District received a third bond authorization, at the November 2, 2010 election, under provisions of law requiring approval by a vote in excess of 55% of the voters voting (District actually received in excess of two-thirds voter approval), to issue $210,000,000 of general obligation bonds (the "2010 Authorization"). By law, the District may not issue 2010 Authorization bonds unless the aggregate annual tax rate on the bonds to be issued plus all outstanding bonds issued under the 2010 Authorization is projected to not exceed $60 per $100,000 of property assessed value (this limit does not include tax rate resulting from bonds issued under the 1992 or 2000 Authorizations). The District issued its $25,000,000 Taxable General Obligation Bonds, Election of 2010, Series A (2011) (Direct Payment Qualified School Construction Bonds) (the "Series A (2011) Bonds"), and $10,000,000 General Obligation Bonds, Election of 2010, Series B (2011) (the "Series B (2011) Bonds") on May 26, 2011, leaving $175,000,000 of the 2010 Authorization authorized but not yet issued.

The originally issued bonds of the Series 1992 Authorization no longer are obligations of the District; all have all either matured or have been refunded with subsequent refunding bonds of the District. Portions of the bonds in Series A, B, C and E issued under the 1992 Authorization were refunded in advance and defeased with proceeds from the District's $39,845,000 1998 General Obligation Refunding Bonds (the "1998 Refunding Bonds"); portions of the bonds in Series B, D and F issued under the 1992 Authorization were refunded and defeased with proceeds from the District's $28,950,000 2004 General Obligation Refunding Bonds (the "2004 Refunding Bonds"); a portion of the Series I Bonds issued under the 1992 Authorization were refunded and defeased with proceeds from the District's $19,090,000 2005 General Obligation Refunding Bonds (the "2005 Refunding Bonds"); and portions of the bonds in Series G and H issued under the 1992 Authorization were refunded and defeased with proceeds from the District's $43,300,000 2008 General Obligation Refunding Bonds (the "2008 Refunding Bonds"). Also, a portion of the 2001 Bonds, issued under the 2000 Authorization, was refunded and defeased with proceeds of the 2008 Refunding Bonds, and the outstanding 1998 Refunding Bonds were redeemed with proceeds of the District's $25,440,000 2009 General Obligation Refunding Bonds (the "2009 Refunding Bonds").

The 2004, 2005, 2008 and 2009 Refunding Bonds, the Series 2003, 2005 and 2007 Bonds, the 2009 Bonds and the Series A (2011) Bonds and Series B (2011) Bonds are the currently outstanding bonds of the District and are together referred to herein as the "District Bonds" (see **"THE BONDS — Debt Service"** and **"DISTRICT INFORMATION - District Debt"** herein).

Professionals Involved in the Offering

With respect to the Bonds, KNN Public Finance, A Division of Zions First National Bank, Oakland, California, is the District's financial advisor ("Financial Advisor"; see **"MISCELLANEOUS — Financial Advisor"** herein). The Financial Advisor, Bond Counsel and Paying Agent will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Offering and Delivery of the Bonds

The Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through DTC, New York, New York, on or about November 1, 2011.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide notices of the occurrence of certain enumerated events, if material. See **"MISCELLANEOUS - Continuing Disclosure"** herein.

Copies of documents referred to herein and information concerning the Bonds are available from the Business Office, Berkeley Unified School District, 2134 Martin Luther King, Jr. Way, Berkeley, California 94704, telephone: (510) 644-8911. The District may impose a charge for copying, mailing and handling.

END OF INTRODUCTION

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, and applicable provisions of the Education Code. The Bonds are authorized by the Resolution and issued pursuant to the Paying Agent Agreement. The Government Code, together with other applicable state law, permits the issuance of bonds payable from *ad valorem* taxes without a vote of the electors solely in order to refund other outstanding bonds which were originally approved by such a vote, provided that the total debt service to maturity on the refunding bonds does not exceed the total debt service to maturity on the bonds being refunded, and the final maturity date of the refunding bonds is not later than the final maturity date of the refunded bonds.

Purpose of Issue

Net proceeds of the Bonds will be used to fund payment of (a) the outstanding principal in the amount of $38,150,000.00 plus redemption premium in the amount of $381,150.00 and accrued interest to November 1, 2011 of $402,940.31, for the 2003 Prior Bonds, and (b) the outstanding principal in the amount of $20,105,000.00 plus accrued interest to November 1, 2011 of $183,545.31, for a total Prior Bonds redemption amount of $59,222,985.63 (the "Redemption Price"), on November 1, 2011 (the "Redemption Date"). Notice of redemption of the Prior Bonds, subject to receipt of net proceeds of the Bonds in the amount of the Redemption Price by U. S. Bank, the paying agent for the Prior Bonds (the "Prior Bonds Paying Agent"), on November 1, 2011, will be sent to the owners thereof by the Prior Bonds Paying Agent on or before September 16, 2011 pursuant to a request of the District.

A portion of the proceeds of the Bonds will be deposited into a "Berkeley Unified School District (Alameda County, California) 2011 General Obligation Refunding Bonds Costs of Issuance Fund" (the "Costs of Issuance Fund"), held and administered by the Paying Agent pursuant to the Resolution, and used to pay costs of issuance with respect to the Bonds. Any funds therein not expended on February 1, 2011 will be transferred to the County Treasurer-Tax Collector for deposit in the Interest and Sinking Fund of the District established and maintained by the County (the "Debt Service Fund") for payment of debt service on general obligation bonds of the District, and the Costs of Issuance Fund will be closed.

Estimated Sources and Uses of Funds

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

BERKELEY UNIFIED SCHOOL DISTRICT
Estimated Sources and Uses of Funds

Sources of Funds	
Bond Proceeds	
Original Issue Premium	
Less Underwriter's Discount	
Total Sources	
Uses of Funds	
Redeem Prior Bonds	
Deposit to Cost of Issuance Fund [(a)]	
Total Uses	

[(a)] Includes fees for Financial Advisor, Bond Counsel, rating agency, printing and distribution of the Official Statement, Paying Agent and certain miscellaneous costs of issuance.

Security and Sources of Payment

The Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, as necessary for payment of interest on and principal of the Bonds, upon all property within the District (except certain personal property which is taxable at limited rates).

The rate for the *ad valorem* tax will be set annually by the County based on the assessed value of taxable property in the District and the debt service requirement on outstanding bonds of the District in each year. Variation in the annual debt service requirement and changes in assessed valuation within the District may cause the annual tax rate for the Bonds to change from year to year. For further information regarding *ad valorem* property taxation in general and within the District in particular, see ***"AD VALOREM*** **PROPERTY TAXATION"** and **"DISTRICT TAX BASE INFORMATION"** herein.

Form and Registration

The Bonds will be issued in fully registered book-entry form only, as current interest bonds without coupons, in denominations of $5,000 principal amount each or any integral multiple thereof. The Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Registered ownership of the Bonds may not be transferred except as described in **"BOOK ENTRY SYSTEM"** herein. Purchases of Bonds under the DTC system must be made by or through a DTC participant, and ownership interests in Bonds or any transfer thereof will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Bonds, beneficial owners will not receive physical certificates representing their ownership interests. See **"BOOK-ENTRY SYSTEM"** herein.

Payment of Principal and Interest

The Bonds will be dated the date of their delivery, and bear interest at the rates set forth on the inside cover page hereof, on February 1 and August 1 of each year, commencing on February 1, 2012 (each, an "Interest Payment Date"), until payment of the principal amount thereof, computed using a year of 360 days consisting of twelve 30-day months. Bonds authenticated and registered on any date prior to the close of business on January 15, 2011, will bear interest from the date of their delivery. Bonds authenticated during the period between the 15th day of the calendar month immediately preceding an Interest Payment Date (the "Record Date") and the close of business on that Interest Payment Date will bear interest from that Interest Payment Date. Any other Bond will bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Bond, interest is then in default on outstanding Bonds, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Payment of interest on any Bond on each Interest Payment Date (or on the following business day, if the Interest Payment Date does not fall on a business day) will be made to the person appearing on the registration books of the Paying Agent as the registered owner thereof as of the preceding Record Date, such interest to be paid by check or draft mailed to such owner at such owner's address as it appears on such registration books or at such other address as the owner may have filed with the Paying Agent for that purpose on or before the Record Date. The owner of an aggregate principal amount of $1,000,000 or more of Bonds may request in writing to the Paying Agent to be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the applicable Record Date. So long as the Bonds are held by Cede & Co., as nominee of DTC, payment will be made by wire transfer.

Principal will be payable at maturity, as shown on the cover hereof, or upon redemption prior to maturity, upon surrender of Bonds at the principal office of the Paying Agent or at such other location as the Paying Agent shall designate. The interest, principal and premiums, if any, on the Bonds will be payable in lawful money of the United States of America from moneys on deposit in the Interest and Sinking Fund, consisting of *ad valorem* taxes collected and held by the County Treasurer, together with any net premium and accrued interest received upon issuance of the Bonds. So long as all outstanding Bonds are held in book-entry form and registered in the name of a securities depository or its nominee, all payments of principal of, premium, if any, and interest on the Bonds and all notices with respect to such Bonds will be made and given, respectively, to such securities depository or its nominee and not to beneficial owners. So long as the Bonds are held by Cede & Co., as nominee of DTC, payment will be made by wire transfer.

See also **"BOOK-ENTRY SYSTEM"** herein.

Debt Service

Annual debt service obligations on the Bonds and the District Bonds, net of U. S. Treasury subsidy payments on the Series A (2011) Bonds and excluding the Prior Bonds, assuming no optional redemptions are made, are as follows:

BERKELEY UNIFIED SCHOOL DISTRICT
General Obligation Bond Debt Service

		The Bonds			
Fiscal Year Ending June 30,	District Bonds [(a)]	Principal Amount	Interest	Total	Total Debt Service
2012	$18,232,311.69				
2013	13,321,111.41				
2014	13,329,474.53				
2015	13,365,383.90				
2016	14,151,608.02				
2017	16,248,226.77				
2018	16,424,370.52				
2019	14,690,114.27				
2020	14,894,751.77				
2021	13,685,096.77				
2022	13,386,306.52				
2023	13,389,395.27				
2024	12,072,185.64				
2025	10,629,752.51				
2026	10,525,364.26				
2027	5,389,688.76				
2028	6,227,335.01				
2029	6,226,018.76				
2030	6,221,003.13				
2031	4,521,712.50				
2032	4,525,962.50				
2033	2,845,903.13				
2034	2,852,903.13				
2035	1,414,515.63				
2036	1,422,221.88				
TOTAL	$249,992,718.28				

[(a)] District Bonds net of U. S. Treasury subsidy payments on Series A (2011) Bonds, and excludes debt service of Prior Bonds.

Redemption

Optional Redemption

The Bonds maturing on or before August 1, 2019, are not subject to redemption prior to their respective stated maturity dates. Bonds maturing in each year beginning August 1, 2020, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2019 at a price of 101.0% plus interest accrued to the date of redemption, without premium. Bonds maturing in each year beginning August 1, 2021, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2020 at a price of par, plus interest accrued to the date of redemption, without premium.

Mandatory Sinking Fund Redemption

[Should the Underwriter designate any term bonds, the following will appear for each maturity of term bonds designated:

The $_____________ _______% Term Bonds maturing August 1, 20__ shall be subject to redemption prior to their stated maturity, in part by lot, from mandatory sinking fund payments in the following amounts and on the following dates, at the principal amount thereof on the date fixed for redemption, without premium:

Redemption Date	*Principal Amount*
August 1, 20__	
August 1, 20__	
August 1, 20__	

The principal amount of each mandatory sinking fund payment of any maturity shall be reduced proportionately by the amount of any Bonds of that maturity optionally redeemed prior to the mandatory sinking fund payment date.]

Selection of Bonds for Redemption

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

Notice of Redemption

The Paying Agent shall 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 Bond to be redeemed, the portion of the principal amount of such Series A Bond 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 County 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.

Partial Redemption of Bonds

Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the registered owner thereof a new Bond 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 County, 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 aforesaid, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside with the County 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.

Right to Rescind Notice

The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption funds 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 shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Defeasance

The District may pay and discharge any or all of the Bonds by depositing in trust with the Paying Agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which directly or indirectly is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Moneys

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

BOOK-ENTRY SYSTEM

Book-Entry System

The information in this section concerning DTC and DTC's book-entry system has been furnished by DTC for use in disclosure documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC will distribute to Direct Participants, or that Direct Participants or Indirect Participants will distribute to the Beneficial Owners, payments of principal of, interest, and premium, if any, on the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the District nor the County nor the Paying Agent are responsible or liable for the failure of DTC or any Direct or Indirect Participant to make any payments or give any notice to a Beneficial Owner or any error or delay relating thereto. Accordingly, no representations can be made concerning these matters and neither the Direct nor Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

DTC will act as securities depository for the Bonds. The Bonds will be executed and delivered 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 certificate will be executed and delivered 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The information set forth on such websites is not incorporated herein by reference thereto.

Purchases of the 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 a Certificate ("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 may be requested by an authorized representative of DTC. The deposit of 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 and 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 prepayments, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 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 registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, distributions, and dividend payments 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 issuer or 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 (nor its nominee), the Paying Agent, the District or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County 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 County may decide to discontinue use of the system of book-entry transfers through DTC. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

Payment to Holders

The following provisions governing the payment, transfer and exchange of the Bonds apply to holders of the Bonds. As long as the DTC book-entry system described above is in effect, Cede & Co., or such other nominee of DTC, but not the Beneficial Owners, are holders of the Bonds. Only in the event that Bonds are printed and delivered to the Beneficial Owners do these provisions then apply directly to Beneficial Owners as holders of the Bonds.

Principal of the Bonds and any premium upon the redemption thereof prior to the maturity will be payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Paying Agent, or such other location as the Paying Agent may specify. Interest shall be paid by check to the owner of any Bond at the address of such owner shown on the registration books of the Paying Agent, or at such other address the owner of the Bond has filed with the Paying Agent for such purpose on or before the Record Date. Owners of not less than $1,000,000 in principal amount of Bonds may, by written request received by the Paying Agent not later than the Record Date immediately preceding any Interest Payment Date, have interest payments made on the date due by wire transfer to an account maintained in the United States of America in immediately available funds.

Any Bond may be exchanged for Bonds of any authorized denominations of the same maturity and interest rate upon presentation and surrender at the principal corporate trust office of the Paying Agent, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at the principal corporate trust office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the designated District official shall execute, and the Paying Agent shall authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the registered owner or by a person legally empowered to do so, equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

The Paying Agent will not be required to exchange or transfer any Bond during the period from the close of business on the applicable Record Date next preceding any Interest Payment Date or redemption date, to and including such Interest Payment Date or redemption date.

AD VALOREM PROPERTY TAXATION

The information in this section describes how ad valorem *property taxes in general are assessed and levied. For specific information on the property tax base, tax levies and collections in the District, see* ***"DISTRICT TAX BASE INFORMATION"*** *herein.*

County Tax Services

School districts and other public agencies with property tax levies in the State all use the services of their county for the assessment of property values (except for certain utility and other classes of property that are assessed by the State Board of Equalization; see **"-State-Assessed Utility Property"** herein) and collection of property taxes and property assessments. All property taxes and assessments on property due all taxing agencies in each county generally are included on the same unified tax bill issued by the county to property owners for payment in two installments each year, based on the same county administered tax rolls, whether general purpose property tax or specific *ad valorem* property tax for payment of general obligation bonds. In addition, for school district general obligation bonds, the county, not the school district, determines and levies each year's tax in an amount necessary to provide for payment of the school district's general obligation bond debt service. Property taxes collected are apportioned by each county according to purpose and taxing agency as prescribed by State law to that county and all school districts, special districts, cities and other agencies within that county with property tax levies. The amounts apportioned specifically for payment of school district general obligation bonds are retained by the county, and used to make the debt service payments on those bonds on behalf of the school district.

Assessed Valuation

All non-exempt property is assessed using full cash value as defined by Article XIIIA of the California Constitution (the "Constitution"). State law exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling, provided that the owner files and qualifies for such exemption. The State is required to reimburse local agencies for the value of taxes on the exempt $7,000. State law also provides exemptions from *ad valorem* property taxation for certain classes of property based on ownership or use, such as household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories and real property used for religious, non-profit hospital, scientific and charitable purposes; the State does not reimburse local agencies for any tax not levied due to these exemptions. State and federal government property also is not taxed, nor is local government property located within the jurisdiction of that local government.

For assessment and collection purposes, property is classified as either "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 other property having a tax lien on real property which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all other taxable property. Unsecured property is assessed on the "unsecured roll." Pursuant to State law, every tax levied by a county that becomes a lien on secured property has priority over all present and future private liens arising on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on other property owned by the taxpayer. Valuation of secured property and a statutory tax lien is established as of January 1 prior to the tax year (the tax year is from July 1 through June 30) of the related tax levy, and the secured and unsecured tax rolls are certified on or before July 1 of the tax year by the County Assessor. New property and improvements are assessed and added to a "supplemental" roll during the year acquired or when improvements are completed, and such property is taxed at the secured or unsecured rate then in effect, as appropriate, for the remaining portion of that year. The next year and thereafter such assets are assessed on the regular tax rolls.

Future growth in assessed valuation allowed under Article XIIIA is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

See **"DISTRICT TAX BASE INFORMATION"** herein for a history of assessed valuation and a list of the largest secured tax payers for the current tax year within the District.

State-Assessed Utility Property

The Constitution provides that the State Board of Equalization (the "SBE") rather than counties assess certain property owned or used by regulated utilities. Such property is grouped and assessed by the SBE as "going concern" operating units, which may cross local tax jurisdiction boundaries, rather than as individual parcels of real or personal property separately assessed. Such utility property is known as "unitary property." The SBE assesses property at "fair market value," determined by various methods and formulae depending on the nature of the property, except that certain railroad property is assessed at a specified percentage of the fair market value determined by the SBE, in conformity with federal law. The SBE assesses values as of January 1 prior to the tax year of the related tax levy. Property tax on SBE-assessed property is then levied and collected by each county in the same manner as county assessed property, but at special county-wide tax rates, and distributed to each taxing agency within that county, subject to certain adjustments, according to the approximate percentage allocated to each taxing agency in the prior year.

Ongoing changes in the California electric utility industry structure and in the way in which components of that industry are regulated and owned, including the sale of electric generation assets to largely unregulated, non-utility companies, may cause property that had been assessed by the SBE to be assessed locally instead. A change in property status from assessment by the SBE to assessment locally or the reverse may result in a change in property tax revenue received by local agencies and an adjustment in *ad valorem* tax rates and debt capacity for any local agency general obligation bonds.

Tax Levies, Collections and Delinquencies

Secured property tax rates are set annually by the first business day of September for the levy of property taxes in that tax year. The levy is payable in two equal installments due November 1 and February 1, and payments become delinquent if not postmarked or paid by end of the business day on December 10 and April 10, respectively. Taxes on unsecured property (personal property and leasehold interests) are levied at the preceding fiscal year's secured tax rate and have a due date set by each county effectively no earlier than July 1 and no later than July 31 of each year. Taxes on unsecured property become delinquent if not postmarked or paid by end of business day on August 31, or if added to the unsecured roll after July 31, become delinquent at the end of the month succeeding the month of enrollment.

A 10% penalty attaches to any delinquent payment for secured roll taxes, plus a charge of $10 if unpaid after April 10. In addition, property on the secured roll for which taxes are delinquent becomes tax-defaulted if not paid by June 30 of the same fiscal year. Such property may thereafter be redeemed by payment of (a) the delinquent taxes, (b) the 10% penalty, (c) the $10 charge, (d) an additional penalty of 1.5% per month (18% annualized rate) from July 1 to the time of redemption and (e) a redemption fee of $15 per parcel, $5 of which goes to the State (collectively, the "Redemption Amount"). Properties may be redeemed under an installment plan of paying the Redemption Amount in five equal installments over a period of four years. A delinquent taxpayer may enter into the installment plan at any time up to the June 30 occurring five years after the property becomes tax defaulted. If taxes are unpaid five years after the property becomes tax defaulted or, if an installment plan is in place, then at the end of the installment plan, the County can initiate a "power to sell" procedure for the County Tax Collector to sell the property at auction. Alternatively, in certain instances the County may institute a superior court action to foreclose the lien on the property; if the lawsuit is successful, the property may be sold at a judicial foreclosure sale.

A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and after the last day of the second month after the 10% penalty attaches, an additional penalty of 1.5% per month begins to accrue and a lien is recorded against the assessee. The taxing authority may collect delinquent unsecured personal property taxes by: (a) a civil action against the taxpayer; (b) filing a certificate of delinquency in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; and (c) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Supplemental roll taxes are due on the date the bill is mailed. If the tax bill is mailed within the months of July through October, the first installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on December 10 of the same year and the second installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on April 10 of the next year; if the bill is mailed within the months of November through June, the first installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on the last day of the month following the month in which the bill is mailed and the second installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on the last day of the fourth calendar month following the date the first installment is delinquent. A 10% penalty attaches to any delinquent payment for supplemental roll taxes.

All tax due dates and delinquency dates become the next business day if they fall on a day that is not a business day.

Teeter Plan

Under the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the State Revenue and Taxation Code, each participating local agency levying secured property taxes, which includes all school districts, receives from its county the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. The Teeter Plan, once adopted by a county, remains in effect unless the county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%.

The Teeter Plan applies to the 1% general purpose property tax levy. Whether or not the Teeter Plan also is applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of a local agency, varies by county. The County *does not* apply the Teeter Plan to school district general obligation bond tax levy. See **"DISTRICT TAX BASE INFORMATION — Secured Tax Charges and Delinquencies"** herein for a history of property tax collections and delinquencies in the District.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS

*The information in this section concerning certain provisions of Articles XIIIA, XIIIB, XIIIC and XIIID of the State constitution, Propositions 98 and 111 and certain other law is provided as supplementary information only, to outline the principal constitutional and statutory laws under which the operating revenue and finances of K-12 school districts in the State are determined. The tax for the Bonds was approved in conformity with all applicable constitutional and statutory limitations. For specific financial information on the District, see "**DISTRICT INFORMATION**" herein.*

Article XIIIA - Limit on Property Tax

Article XIIIA of the State constitution (the "Constitution") limits, subject to certain exceptions, the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIIIA requires a vote of two-thirds of those voting in an election to impose *ad valorem* taxes, and, except to pay debt service on certain voter approved indebtedness, prohibits the imposition of any additional *ad valorem*, sales or transaction taxes on real property. Article XIIIA does permit *ad valorem* taxes to be levied in excess of the basic 1% tax limitation as required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, (b) on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on any bonded indebtedness approved by fifty-five percent of the votes cast by the voters of a school or community college district for the construction, reconstruction, rehabilitation or replacement of, including furnishing and equipping of, or the acquisition or lease of real property for, school facilities, provided that certain accountability and other requirements are satisfied. In addition, Article XIIIA requires the approval of two-thirds of all members of the State Legislature to change any State taxes for the purpose of increasing tax revenues, while prohibiting the imposition by the State Legislature of any new *ad valorem*, sales or transaction taxes on real property.

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 each county in the State and distributed according to a formula among taxing agencies within that county. The formula apportions the tax roughly in proportion to the relative shares of taxes last levied prior to 1989.

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 claims, if any, on tax increment and subject to changes in organization, 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.

Article XIIIB - Appropriations Limit

Article XIIIB of the Constitution, approved by voters in 1979 and subsequently amended by Propositions 98 and 111, 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, for transfers in the financial responsibility for providing services and for certain declared emergencies (the "Gann limit"). 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.

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. For school districts, Article XIIIB constrains appropriations from State and local tax sources, but not federal aid or non-tax income, such as revenues from cafeteria sales or adult education fees.

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

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two fiscal years. If a school district receives any proceeds of taxes in excess of its appropriations limit, it may increase its appropriations limit to equal that amount by taking the appropriations limit from the State.

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

Article XIIIB does not impact the ability of the County to levy and collect the property tax or pay debt service on District general obligation bonds.

Propositions 98 and 111 - State Funding for School Districts

On November 8, 1988 the voters approved Proposition 98, an initiative constitutional amendment and statute called "The Classroom Instructional Improvement and Accountability Act" ("Proposition 98"). In addition to adding certain provisions to the Education Code, Proposition 98 also amended Article XIIIB and Section 8 of Article XVI of the Constitution and added Section 8.5 of Article XVI to the Constitution, the effects of which are to establish a minimum level of State funding for school districts, to allocate to school districts, within limits, State revenues in excess of the State's appropriations limit and to exempt such excess funds from school district appropriations limits.

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 Constitution with respect to appropriations limitations and school funding priority and allocation.

Article XIIIB, as amended by both Proposition 98 and Proposition 111, is discussed above under **"Article XIIIB."**

The provisions of Sections 8 and 8.5 of Article XVI, as added to or amended by Propositions 98 and 111, may be summarized as follows:

(a) *State Funding of Schools (Section 8).* Monies to be applied by the State for the support of school districts must be at a level equal to the greater of the following "tests":

(I) The amount which, as a percentage of the State general fund revenues which may be appropriated pursuant to Article XIIIB, equals the percentage of general fund revenues appropriated for school districts in fiscal year 1986/87;

(ii) The amount actually appropriated to school districts in the prior fiscal year from general fund proceeds and from allocated local proceeds of taxes (excluding any excess state revenues allocated pursuant to Section 8.5), adjusted for changes in enrollment and for the change in the cost of living (operative only in a fiscal year in which the percentage growth in California per capita personal income is less than or equal to the percentage growth in per capita general fund revenues plus one-half of one percent);

(iii) The amount actually appropriated to school districts in the prior fiscal year from general fund proceeds and from allocated local proceeds of taxes (excluding any excess State revenues allocated pursuant to Section 8.5) adjusted for changes in enrollment and for the change in per capita general fund revenues, and, in addition, an amount equal to one-half of one percent times the prior year appropriations (excluding any excess State revenues) adjusted for changes in enrollment (operative only in a fiscal year in which the percentage growth in California per capita personal income is greater than the percentage growth in per capita general fund revenues plus one-half of one percent).

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 the general fund revenue growth exceeds personal income growth.

The State legislature by a two-thirds vote of both houses, with the Governor's concurrence, may suspend for one year the minimum funding provisions for school districts as provided for in Section 8.

(b) *Allocations to the State School Fund (Section 8.5).* In addition to the amounts applied to school districts under the tests discussed above, the State Controller is directed to allocate available excess State revenues (pursuant to Article XIIIB) to the State School Fund. However, no such allocation is required at any time that the Director of Finance and the Superintendent of Public Instruction mutually determine that current annual expenditures per student equal or exceed the average annual expenditures per student of the 10 states with the highest annual expenditures per student and the average class size equals or is less than the average class size of the 10 states with the lowest class size.

Such allocations do not constitute appropriations subject to Article XIIIB limitations and are to be made in an equal amount per enrollment.

Propositions 57 and 58 - California Economic Recovery Bond Act and State Budget Requirements

On March 2, 2004, State voters passed Proposition 57, the *California Economic Recovery Bond Act*, authorizing the issuance by the State of up to $15 billion of Economic Recovery Bonds to finance the State's negative general fund balance as of June 30, 2004 and other general fund obligations undertaken prior to June 30, 2004. The State has issued the full $15 billion Economic Recovery Bonds under this authorization. In the same election State voters passed Proposition 58, the Balanced Budget Amendment, requiring the State to adopt and maintain a balanced budget, establish a reserve and restrict future long-term deficit-related borrowing.

Proposition 1A - Limit On ERAF Shifts To School Districts

Since fiscal year 1992/93 the State has satisfied a portion of its Proposition 98 obligations for revenue limit funding of school districts by shifting part of the 1% local *ad valorem* property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through an Educational Revenue Augmentation Fund (ERAF) established in each county. At the

November 2004 election, State voters approved Proposition 1A, limiting the amount and frequency of such ERAF shifts of property tax revenue from other taxing agencies to school districts.

Under Proposition 1A, beginning in fiscal year 2008/09, the State may divert no more than eight percent of local property tax revenues for State purposes (including, but not limited to, funding K-12 education) only if: (a) the Governor declares such action to be necessary due to a State fiscal emergency; (b) two-thirds of both houses of the Legislature approve the action; (c) the amount diverted is required by statute to be repaid within three years; (d) the State does not owe to local agencies any repayment for past property tax or Vehicle License Fee diversions; and (e) such property tax diversions do not occur in more than two of any ten consecutive fiscal years. Because ERAF shifts are capped and limited in frequency, the State has to rely more heavily on State general fund moneys for Proposition 98 funding of school districts.

ERAF and SERAF Payments

As a part of its Revised 2009/10 Budget legislation, the State enacted ABX4 - 26, which shifted $1.7 billion in 2009/10 and $350 million in 2010/11 out of city and county redevelopment agencies into "Supplemental Education Revenue Augmentation Funds" ("SERAF") in each county for payment only to school districts and county offices of education wholly or partially within redevelopment agency project areas and used only to serve students living within project areas or in housing supported by redevelopment funds. SERAF are deemed by the State to be property tax revenue of the receiving school district or county office of education that reduces dollar for dollar the State's requirement to fund the school district or county office of education revenue limit entitlement under Proposition 98; it alters only the mix of property tax revenue and State appropriations, not the total amount of revenue limit funding received by a school district.

The California Redevelopment Association, an association of California redevelopment agencies, and others, filed a law suit to overturn ABX4 - 26 as a violation of the State constitutional requirement that redevelopment agency tax increment be used for redevelopment purposes. On May 4, 2010, the Sacramento Superior Court found in favor of the State and other defendants, upholding ABX4 - 26. The State had enacted a somewhat similar taking of redevelopment agency tax increment for ERAF, without requiring any relationship with a redevelopment project area for receipt of funds, in the 2008/09 State budget that was overturned by the same Sacramento Superior Court on April 30, 2009. The central argument in that decision was that taking redevelopment agency tax increment to balance the State budget was not a redevelopment purpose under State redevelopment law. The State dropped its appeal of that decision on September 28, 2009, making that decision final. In response, the State enacted ABX4 - 26. In the May 4, 2010 decision, among other things, the Superior Court found that the ABX4 - 26 restriction on SERAF disbursements to only school districts and county offices of education located wholly or partially within a redevelopment project area and used only to serve students living within a project area or in housing supported by redevelopment funds means SERAF disbursements are for redevelopment purposes, regardless of whatever other purposes may be met; the fact that the State enacted this legislation in order to help balance the State budget was found to be immaterial to the constitutionality of ABX4 - 26. The *California Redevelopment Association* is appealing this decision. Whether this appeal will be successful is unknown. Going forward, the constitutional provisions enacted by Proposition 22 (see below), purport to prohibit ERAF, SERAF or other takings from redevelopment and other local agencies by the State.

ERAF and SERAF payments by redevelopment agencies were and are subordinate to pledges of tax increment revenue for payment of redevelopment agency tax allocation bonds, though penalties were imposed on redevelopment agencies and, under certain circumstances, on their related city or county for non-payment.

Proposition 22 - Further Limit on State Use and Shifts of Local Government Funds

Proposition 22, *The Local Taxpayer, Public Safety, and Transportation Protection Act*, approved by the voters of the State on November 2, 2010, reduces or eliminates the State's authority: (a) to use State fuel tax revenues to pay debt service on state transportation bonds; (b) to borrow or change the distribution of state fuel tax revenues; (c) to direct redevelopment agency property taxes to any other local government; (d) to temporarily shift property taxes from cities, counties, and special districts to schools; (e) and to use vehicle license fee revenues to reimburse local governments for state mandated costs. As a result, Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the State Legislative Analyst's Office ("LAO"; the LAO is a fiscal and policy advisory organization overseen by the Joint Legislative Budget Committee of the State legislature, funded by the State legislature) on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 will be approximately $1 billion in fiscal year 2010/11, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's total General Fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

Articles XIIIC and XIIID - Right to Vote on Taxes, Assessments, Fees and Charges

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect taxes, assessments, fees and charges. Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIIIC also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. The *ad valorem* property tax levied to pay debt service on the District's general obligation bonds is a "special tax" approved by two-thirds of the District's voters in the manner required by Article XIIIC.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. In respect to school district general obligation bonds, the Constitution and laws of the State impose a mandatory duty on county tax collectors to levy a property tax sufficient to pay debt service on such bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of such bonds or to otherwise interfere with performance of the mandatory duty of a school district and its county with respect to such taxes which are pledged as security for payment of such bonds. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of, or consents to, any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Voter approved special taxes (including those levied pursuant to the Mello-Roos Community Facilities Act), "parcel taxes" and assessments levied pursuant to the Landscape and Lighting District Act of 1972 (among other assessments), that are not pledged to the payment of bonds, may be subject to reduction or repeal by voter initiative under the provisions of Article XIIIC.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect laws existing prior to enactment of Articles XIIIC and XIIID relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by a school district. By its terms, Article XIIID does not apply to *ad valorem* property tax of the type levied to pay debt service on the District's general obligation bonds.

The interpretation and application of Article XIIIC and Article XIIID will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Propositions 98, 111 and 1A 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 school districts' revenues or ability to expend revenues.

GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

The information in this section concerning funding procedures of K-12 school districts in the State is provided as supplementary information only. Principal of and interest on the Bonds are to be paid from the proceeds of an ad valorem *tax authorized to be levied by the County on taxable property within the District. The Bonds are not secured by a pledge of the District's general funds. It should not be inferred from the inclusion of this information that any of these matters discussed affect or limit in any way the obligation of the County on behalf of the District to levy ad valorem taxes on taxable property within the District in an amount sufficient to pay all amounts due on the Bonds. For specific financial information on the District, see "**DISTRICT INFORMATION**" herein.*

State Funding of School Districts

Annual State apportionments of basic and equalization aid to K-12 school districts for general purposes are made according to a revenue limit per unit of average daily attendance ("A.D.A."). If a district's total revenue limit exceeds its property tax revenue, its annual State apportionments, subject to certain adjustments, amount to the difference between the revenue limit and a district's actual property tax receipts (after any redevelopment agency tax increment or other deductions or "shifts" that may be in effect under State law). A.D.A. is determined by school districts twice a year, in December ("First Period A.D.A.") and April ("Second Period A.D.A.").

The calculation of the amount of State apportionment a school district is entitled to receive each year is summarized as follows: first, the prior year Statewide revenue limit per A.D.A. is recalculated with certain adjustments for equalization and other factors; second, this adjusted prior year Statewide revenue limit per A.D.A. is inflated according to formulas based on the implicit price deflator for government goods and services and the Statewide average revenue limit per A.D.A. for each type of A.D.A., yielding the school district's current year "component" revenue limits per A.D.A.; third, the current year component revenue limits per A.D.A. are applied to the school district's A.D.A. for either the current or prior year, as the district elects; fourth, revenue limit adjustments known as "add-ons" are calculated for each school district if the school district qualifies for such add-ons (for example, add-ons to adjust for small school district size and providing meals for needy pupils, among others); and fifth, local property tax revenues are deducted from the total revenue limit calculated for each district to arrive at the amount of State apportionment each school district is entitled to for the current year.

The State revenue limit is calculated three times a year for each school district on the basis of projections submitted by the district on or about December 10, based on First Period A.D.A., and April 15 and June 30, both based on Second Period A.D.A. A.D.A. calculations are based on actual attendance and do not include excused absences. Revenue limit calculations are made by each school district, reviewed by the County Office of Education and submitted to the State Department of Education. The State Department of Education reviews the calculations for accuracy, determines the amount of State apportionment owed to each school district and notifies the State Controller to distribute the apportionments. The first calculation is performed for the First Principal Apportionment in February, the second calculation for the Second Principal Apportionment in June, and the final calculation for the end of the fiscal year Annual Principal Apportionment, in essence a correction that is made in October of the next fiscal year.

See **"DISTRICT INFORMATION"** herein for the District's specific annual revenue limit per A.D.A.

Basic Aid Districts

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

State Budget

The State budget approval process begins with the release to the State legislature by January 10th of the Governor's proposed budget for the following fiscal year. State fiscal years begin July 1st. In May, the Governor submits a revision of the proposed budget that reflects updated estimates of revenues and expenditures. After a series of public hearings and other steps in the legislative process, the budget must be approved by two-thirds vote in each house of the State legislature and submitted to the Governor. The Governor may reduce or eliminate any appropriation by line-item veto. Although the budget is required by the Constitution to be approved no later than June 15th, it often has not been approved until later.

While the Constitution in large part dictates the formulae for determining the allocation of State revenues to the K-12 education portion of the State budget pursuant to Propositions 98 and 111 and other provisions (see **"CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS"** herein), in the State budget process the Governor and State legislature still have, and exercise, significant leeway in deciding whether and by how much to exceed or reduce such allocation in the actual funding of K-12 school districts, and to decide what funds will be general purpose or restricted purpose.

2010/11 Budget

On January 8, 2010 the Governor published his proposed budget for 2010/11, on May 14, 2010 released his *May Revision 2010-11* and on October 8, 2010 signed the *2010 Budget Act* (the "2010/11 Budget"). Without the corrective action of the 2010/11 Budget, the State general fund would have been short an estimated $19.274 billion. The 2010/11 Budget addressed this with proposed expenditure reductions of $8.388 billion, requested federal funding of $5.403 billion, and anticipated other revenues of $5.483 billion. Proposition 98 education funding is largely unchanged by the 2010/11 Budget from the original January 2010/11 budget proposal, with non-education areas of government taking the new cuts and schools having increased "deferrals" in the State's payments of their revenue limit apportionments.

For the State's general fund, the 2010/11 Budget reported for 2009/10 prior year resources available of ($5.375) billion and projects revenues and transfers-in of $86.920 billion, for a total of $81.545 billion in total resources available; and for 2010/11 projects prior year resources available of ($4.804) billion and revenues and transfers-in of $94.230 billion, for a total of $89.426 billion in total resources available. General fund expenditures are projected to be $86.349 billion for 2009/10 and $86.552 billion for 2010/11, with general fund ending balances of ($4.804) billion and $2.874 billion, respectively. The positive ending balance outcome of the 2010/11Budget is predicated on the Legislature's timely adoption of the Governor's fiscal proposals and successful requests for $5.403 billion from federal sources that the Governor's office believes should be due the State; it is not known to what extent this expectation will be met.

For K-14 education, the 2010/11 Budget reports Proposition 98 funding for 2008/09 at $49.1 billion, projects $49.9 billion for 2009/10 and projects $48.4 billion for 2010/11, with the State general fund portion of this funding at $34.1 billion for 2008/09, $35.8 billion for 2009/10 and $35.0 billion f or 2010/11. The difference from total Proposition 98 funding is funded from local property tax revenue projected for each school district and, to a minor extent, from certain other sources. Individual school district parcel tax revenue, if any, is in addition to revenue limit income. For 2009/10, the estimated State-wide average revenue limits per A.D.A., with a deficit factor of 18.355% and one-time further deduction of $252.99, are $5,763.43 for elementary, $5,763.59 for high and $4,981.27 for unified school districts. For 2010/11, the estimated State-wide average revenue limits per A.D.A., with a deficit factor of 18.355% and a further deduction equal to 3.85% of the "undeficited" revenue limit is $4,751.72 for elementary, $5,710.15 for high and $4,967.99 for unified school districts.

2011/12 Budget

On January 10, 2011, the Governor published his proposed budget for 2011/12, on May 10, 2011 released his *2011-12 Governor's Budget May Revision* (the "May Revision") and on June 29, 2011 signed into law the *Budget Act of 2011*; together, the "2011/12 Budget"). The 2011/12 Budget addresses an otherwise projected $26.6 billion budget gap by the end of 2011/12 with a program of $15.0 billion in expenditure reductions, projected revenue increases from an improved economy of $8.3 billion and tax and other revenue producing measures of $3.8 billion, raising $27.2 billion and leaving the State with a reserve of $543 million. As of December 15, 2011, should the State Director of Finance determine that projected revenue will fall short of 2011/12 Budget estimates by more than $1 billion, an additional $601 million in "Tier 1" cuts will go into effect beginning January 1, 2012; if such shortfall is more than $2 billion, up to an additional $1.860 billion in "Tier 2" cuts will go into effect as of February 1, 2012. The Tier 1 cuts do not affect K-12 schools. The Tier 2 cuts will be entirely Proposition 98 funding cuts for schools, up to $1,540 billion of which will be accomplished by reducing the school year by up to seven days. School districts, however, will have to continue to pay personnel costs for those seven days unless their labor agreements allow, or can be negotiated to allow, to pay correspondingly less, neither of which generally is likely to be the case. The *Budget Act of 2011* prohibits school districts from "budgeting" for 2011/12 on the basis of assuming Tier 2 cuts (though apparently may budget less for "other reasons" than a Tier 2 cut in State apportionment per A.D.A.).

Included as a trailer bill to the *Budget Act of 2011* is an act ("ABX1 26") disestablishing redevelopment agencies as of October 1, 2011, so that what is now redevelopment agency tax revenue not required for continuing pass-through agreement payments, tax allocation bond payments and other "enforceable obligation" payments, will flow through to local taxing agencies, including school districts, as normal property tax revenue. Another trailer bill ("ABX1 27") grants the alternative to cities and counties to reinstate their redevelopment agencies and their tax increment revenue as under redevelopment law prior to ABX1 26, provided that the city or county that formed the redevelopment agency agrees to make sizable payments every year that will be deposited into ERAF (ERAF money in turn received by school districts reduces Proposition 98 revenue limit funding of such schools from the State general fund dollar for dollar), or flow through to local taxing agencies, including school districts, as normal property tax revenue. In either situation, 43.3 percent of such previous tax increment revenue that flows through as property tax revenue received by K-12 schools will reduce Proposition 98 revenue limit funding from the State general fund dollar for dollar, and 56.7 percent will accrue to school districts without reducing Proposition 98 revenue limit funding. The 2011/12 Budget assumes that the State will gain an aggregate reduction in State general fund funding requirements of $1.7 billion in 2011/12 and at least $400 million annually thereafter from these redevelopment agency bills. The *California Redevelopment Association* and *League of California Cities* have filed suit with the State Supreme Court to overturn both of these bills as unconstitutional taking and diverting of redevelopment agency tax increment revenue, contrary to State constitutional provisions adopted through Proposition 22. The State Supreme Court has agreed to hear the suit and rule by January 15, 2012, and has stayed the State from collecting the $1.7 billion assumed in the 2011/12 Budget until it has ruled. See **"CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS - Proposition 22 - Further Limit on State Use and Shifts of Local Government Funds"** herein.

For the State's general fund, the 2011/12 Budget reported for 2010/11 prior year resources available of ($4,507) billion and projects revenues and transfers-in of $94.781 billion, for a total of $90.274 billion in total resources available; and for 2011/12 projects prior year resources available of ($1.206) billion and revenues and transfers-in of $88.456 billion, for a total of $87.250 billion in total resources available. General fund expenditures are projected to be $91.480 billion for 2010/11 and $85.937 billion for 2011/12, with general fund ending balances of ($1,206) billion and $1.313 billion, respectively.

In his *July 2010 Summary Analysis*, the State Controller reported that the State's general fund negative cash balance, which was at ($11.908 billion) at the beginning of 2009/10, had lessened to ($9.922 billion) as of June 30, 2010. In his *September 2011 Summary Analysis*, the State Controller reported that the State's general fund negative cash balance as of August 31, 2011 stood at ($13.877 billion), $991 million below the 2011/12 Budget estimate for August 31, 2011.

For K-14 education, the 2011/12 Budget reports Proposition 98 funding for 2009/10 at $49.9 billion, for 2010/11 at $49.8 billion and for 2011/12 projects $48.7 billion, with the State general fund portion of this funding at $35.3 billion for 2009/10, $35.3 billion for 2010/11 and $32.9 billion f or 2011/12. The difference from total Proposition 98 funding is funded from local property tax revenue projected for each school district and, to a minor extent, from certain other sources. Individual school district parcel tax revenue, if any, is in addition to revenue limit income. For 2010/11, the estimated State-wide average revenue limits per A.D.A., with a deficit factor of 17.963% are $5,012.46 for elementary, $6,021.52 for high and $5,243.81 for unified school districts. For 2011/12, the estimated State-wide average revenue limits per A.D.A., with a deficit factor of 19.754% is $5,012.97 for elementary, $6,021.66 for high and $5,244.08 for unified school districts. The 2011/12 Budget indicates that if voters do not approve the Governor's proposed tax continuation measure, an additional aggregate of $2 billion in K-12 expenditures will need to be cut in 2011/12.

State Apportionment Deferrals:

Deferrals in payment of State revenue limit apportionments for K-12 schools of one to five months were in effect for the majority of the months of 2010/11 and are scheduled for throughout 2011/12. Depending on actual cash flow conditions at the time, the State Controller, Treasurer and Director of Finance may either accelerate or delay the deferrals up to 30 days, or reduce the amounts deferred. Certain school districts that can demonstrate hardship will not be subject to these deferrals. Payment deferrals or otherwise receiving payments from the State later than originally expected is not new to school districts.

State Funding of Schools Without A State Budget

On May 29, 2002, the Court of Appeal of the State of California for the Second Appellate District in *White v. Davis et al.* (combined with *Howard Jarvis Taxpayers Association et al. v. Westly* in appeal) held, among other things, that absent adoption of a budget bill or an emergency appropriation by the Legislature, the State Controller may disburse State funds authorized by (a) a continuing appropriation enacted by the Legislature, (b) a self-executing provision of the State constitution, including payment of certain funds for public schools under Article XVI, Section 8.5 of the constitution, and (c) mandate of federal law, such as prompt payment of minimum wage and overtime compensation mandated by the federal Fair Labor Standards Act and benefits under federal food stamp, foster care and adoption, child support and child welfare programs. The Court of Appeal specifically concluded that Article XVI, Section 8.0 does not constitute a self-executing authorization to disburse revenue limit apportionment to school districts; legislative appropriation is required for revenue limit disbursement. On May 1, 2003, the California Supreme Court in its decision in *White v. Davis et al.* granted review to two other matters and let these particular conclusions of the Court of Appeal stand without ruling on them.

During the 2003/04 State budget impasse, the State Controller announced that only "payments of prior year obligations, constitutional authorizations, federal mandates and continuous legislative appropriations would be made." The State Controller concluded that revenue limit apportionments to school districts, under provisions of the Education Code implementing Article XVI, Section 8 of the State constitution, are authorized as continuous legislative appropriations, so disbursed these funds without a budget bill or emergency appropriation enacted. The State Controller did not disburse certain categorical and other funds to school districts until the *2003/04 Budget Act* was enacted. During the recent delayed adoption of the 2008/09 budget, the State Controller also delayed these disbursements until the *2008/09 Budget Act* was enacted.

State Funding of School Construction

The State makes funding for school facility construction and modernization available to K-12 districts throughout the State through the Office of Public School Construction ("OPSC") and the State Allocation Board ("SAB"), from proceeds of State general obligation bonds authorized and issued for this purpose (the "State Facility Program"). Such bonds were authorized in the amount of $13.05 billion, $11.40 billion of which were for K-12 school facilities and $1.65 billion of which were for higher education facilities, on November 5, 2002 under Proposition 47, passed by 58.9% of the State-wide vote. An additional bond measure for education capital projects was approved on March 2, 2004 under Proposition 55, passed by 50.6% of the State-wide vote, in an authorization amount of $12.3 billion, $10.0 billion of which is for K-12 school facilities and $2.3 billion of which is for higher education facilities. A third bond measure for education capital projects was approved on November 7, 2006 under Proposition 1D, passed by 56.9% of the State-wide vote, in an authorization amount of $10.4 billion,$7.329 billion of which is for construction, modernization and related purposes for K-12 school districts.

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

State Retirement Programs

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

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

County Office of Education

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

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

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

School District Budget Process

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

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

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

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

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

Temporary Inter-fund Borrowing

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

Accounting Practices

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

County Investment Pool

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

Each county treasurer is required to invest funds, including those pooled funds described above, in accordance with Government Code Sections 53601 *et seq.* In addition, each county treasurer is required to establish an investment policy which may impose further limitations beyond those required by the Government Code. A copy of the County investment policy and periodic reports on the County investment pool are available from the County Treasurer-Tax Collector, Alameda County, 1221 Oak Street, Room 131, Oakland, CA 94612, telephone (510) 272-6800. It is not intended that such information be incorporated into this Official Statement by such references.

DISTRICT INFORMATION

The description in this section concerning District general operating and financial information is provided as supplementary information only. It should not be inferred from the inclusion of this information that any of the matters discussed in this section affect in any way the obligation of the County on behalf of the District to levy ad valorem *taxes on taxable property within the District in an amount sufficient to pay all amounts due on the Bonds.*

Introduction

The Berkeley Unified School District was unified in 1936 with the combining of the elementary and high school districts then in existence in the area of the current District boundaries. The District is located in Alameda County, California, approximately 10 miles northeast of San Francisco and north of Oakland, on the east side of San Francisco Bay. The District occupies an area of approximately 19 square miles. It provides educational services to residents of the City, whose boundaries are coterminous with those of the District. The estimated population as of January 1, 2010 of the District is 108,119, the same as the City.

The District operates eleven elementary schools grades K-5, three middle schools grades 6-8, one high school, one alternative high school, an independent study program and a school for adult education. These schools and additional facilities comprise a total of approximately 1,850,000 square feet of building area.

The 2010/11 pupil-teacher ratios are as follows:

BERKELEY UNIFIED SCHOOL DISTRICT
Pupil - Teacher Ratios

Grade	Ratio
K through 3	20 to 1
4 and 5	26 to 1
6 through 8	28 to 1
9 through 12	28 to 1

Source: Berkeley Unified School District.

The District is governed by a Board consisting of five members. Members are elected to four-year terms in alternate slates. The day-to-day operations are managed by a Board-appointed Superintendent of Schools. William Huyett was appointed Superintendent as of February 1, 2008.

Average Daily Attendance and Revenue Limit

The following table reflects historical and estimated average daily attendance for the District. A.D.A. calculations are based on actual attendance.

BERKELEY UNIFIED SCHOOL DISTRICT
Average Daily Attendance Annual Report (P-2)

Academic Year	Average Daily Attendance[(a)]
2007/08	8,413
2008/09	8,456
2009/10	8,708
2010/11	8,928
2011/12	8,846

[(a)] Includes K-12, special education, continuation education, home and hospital/other; excludes Adult Education; 2011/12 estimated.

Source: Berkeley Unified School District.

The District is not a Basic Aid District. The District's annual base revenue limit per A.D.A. after deficit factor was $5,375.74 for 2010/11, and is projected to be $5,373.47 per A.D.A. for 2011/12. See **"GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — State Funding of Education"** herein for an explanation of revenue limit funding.

Labor Relations

The District employs 661 full-time equivalent certificated and 504 full-time equivalent classified employees. There are five formal bargaining organizations operating in the District which are described in the table below. Presently, certain supervisors and management employees, an aggregate total of 35 full-time equivalent, are not represented by an exclusive bargaining agent. Salaries and benefits for supervisors, management and confidential employees are determined through an informal process of "meet and confer" with representatives from each of these classifications.

BERKELEY UNIFIED SCHOOL DISTRICT
Labor Relations

Labor Organization	Number of Employees	Contract Expiration Date[(a)]
Berkeley Federation of Teachers	614	June 30, 2011
Operations/Maintenance Local 39	152	June 30, 2011
Berkeley Council of Classified Employees	304	June 30, 2007
Union of Berkeley Administrators	38	June 30, 2011
Supervisors Local 21	22	June 30, 2011
Total	1,130	

[(a)] All contracts are subject to annual reopeners, and, except for Union of Berkeley Administrators, are under negotiation.

Source: Berkeley Unified School District.

Retirement Programs

The District contribution to STRS for fiscal year 2010/11 was $4,055,826 and in fiscal year 2011/12 is estimated to be $4,143,492. The District contribution to PERS for fiscal year 2010/11 was $2,343,191and in fiscal year 2011/12 is estimated to be $2,510,415. See **"GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — Retirement Programs"** herein for further information on STRS and PERS.

Other Post-Employment Benefits

The District contractually provides health care benefits to retired certificated and classified employees who qualify under the District's health benefit policy until the age of 65. On June 30, 2011, 167 retirees were beneficiaries under this program. The District currently pays for medical and dental premiums of pre-Medicare retirees and their dependents, up to an amount equal to Kaiser HMO Family Plan premiums. In fiscal year 2010/11 the District paid $981,202 in post-employment health care benefits and has budgeted $1,033,500 for fiscal year 2011/12. The District's present policy is to fund post-employment benefits on a pay-as-you-go basis.

Total Compensation Systems, Inc. has delivered to the District an actuarial study, dated July 11, 2011, concluding that, as of May 1, 2011, the amount of actuarial accrued liability for the District's post-employment health care benefits is approximately $20.8 million over the next 20 years, based on a variety of assumptions that are subject to change. According to the study, the annual required contribution of 2010/11 would need to be approximately $2.4 million instead of the actual $1.9 million, a difference of approximately $0.5 million. While the District's audited financial statements will be required (under GASB 45) to calculate actuarial accrued liability and certain other related data for post-employment benefits as a matter of financial reporting in the future, there is no requirement that the District change actual funding from its present pay-as-you-go basis to an annual required contribution basis.

Comparative Financial Statements and Budget

The following table reflects the District's general fund revenues, expenditures and fund balances from fiscal year 2007/08 through fiscal year 2011/12. Under GASB 34, for fiscal years 2003/04 through 2008/09 for the District, line item data presented in audited financial statements was not comparable with line item data presented in the operating and accounting systems used by California school districts as directed by the State Department of Education, including the annual *Unaudited Actuals* financial reports, *Interim Reports* and budgets prepared by the District and reported to the County Office. For comparability on the same basis of presentation in the following table, all data is as shown in the District's *Unaudited Actuals* financial reports to the County Office for the years 2007/08 through 2008/09, respectively, with the ending balance adjusted to conform with the audited financial report for the same year where necessary. In the 2009/10, the District's audited financial statements include presentations where line item information is again comparable with the State Department of Education reporting system similar line items, so 2009/10 numbers are as shown in the 2009/10 audited financial statements. The 2010/11 projected and 2011/12 budget numbers are from the *2011/12 Adopted Budget* and District staff projections. The District has two parcel tax programs, the revenues and expenditures of which for audit purposes are accounted for within the general fund by District auditors and are included in the table; see **"Parcel Taxes"** on the next page for further detail on District parcel taxes. Year-end general fund balance is comprised of reserved and unreserved funds, including a portion of the amount required by the State for a "reserve for economic uncertainty" (the District's Special Reserve Fund For Other Than Capital Outlay in addition counts towards to the "reserve for economic uncertainty" minimum requirement of 3% of expenditures and transfers out; see **"Other District Funds"** herein). See **"APPENDIX A"** for further detail on the composition of the June 30, 2010 ending balance.

The District's *Interim Reports* for 2010/11 are certified "positive" and its *2010-2011 Adopted Budget* was approved without exception by the County Office.

BERKELEY UNIFIED SCHOOL DISTRICT
General Fund Revenues, Expenditures and Fund Balance

	2007/08[a]	2008/09[b]	2009/10[c]	Projected 2010/11[d]	Budget 2011/12[e]
REVENUES					
Revenue Limit Sources:					
State Apportionment	$25,560,253	$23,994,036	$19,133,594	$22,074,060	$22,378,162
Local Sources	25,428,567	26,001,255	26,084,535	27,360,734	26,870,331
Total Revenue Limit Sources	50,988,820	49,995,291	45,218,129	49,434,794	49,248,493
Federal Revenues	4,337,613	7,322,891	7,578,635	6,473,980	6,295,537
Other State Revenues	19,182,608	15,985,220	22,274,801	21,695,493	21,972,101
Other Local Revenues	34,202,288	35,768,870	38,087,827	38,637,531	36,264,350
TOTAL REVENUES	108,711,328	109,072,272	113,159,392	116,241,798	113,780,481
EXPENDITURES					
Salaries:					
Certificated Salaries	44,399,135	47,057,639	45,821,448	47,410,718	47,486,380
Classified Salaries	19,213,568	20,779,780	20,386,122	20,975,118	20,602,198
Employee Benefits	20,958,255	20,008,173	20,193,923	21,076,955	22,320,416
Books and Supplies	4,457,360	4,120,585	3,383,571	3,541,813	5,136,414
Services and Other Operating Expenditures	17,013,028	18,649,603	18,597,625	19,534,375	17,462,544
Capital Outlay	652,694	408,152	211,432	68,901	30,000
Other Outgo	10,735	8,559	0	9,487	0
Direct Support and Indirect Costs	(780,446)	(809,804)	0	(596,786)	(659,240)
TOTAL EXPENDITURES	105,924,328	110,222,687	108,594,121	112,020,582	112,378,712
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	55,227	367,942	645,841	0	0
Operating Transfers Out	(1,507,214)	(585,955)	(3,855,309)	(3,423,335)	(3,581,701)
Other Sources (Uses)	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(1,451,987)	(218,013)	(3,209,468)	(3,423,335)	(3,581,701)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,335,014	(1,368,427)	1,355,803	797,881	(2,179,932)
ADJUSTMENTS	27,986	(2)	0	0	0
FUND BALANCE JUNE 30 PRIOR YEAR	13,142,236	14,505,236	13,136,807	14,492,610	15,290,491
FUND BALANCE JUNE 30	$14,505,236	$13,136,807	$14,492,610	$15,290,491	$13,110,559

[a] District *2007/08 Un-Audited Actuals Financial Report*, September 5, 2008. June 30, 2008 ending balance is adjusted to the audited $14,505,236.
[b] District *2008/09 Un-Audited Actuals Financial Report*, September 9, 2009. Other State Revenue and June 30, 2009 ending balance is adjusted to audited $15,985,220 and $13,136,807, respectively.
[c] District audited *Financial Statements for Year Ended June 30, 2010*.
[d] District *2010/11 Un-Audited Actuals Financial Report*, September 14, 2011.
[e] District *2011-2012 Adopted Budget*, June 22, 2011.

Sources: Berkeley Unified School District

Other District Funds

In addition to the General Fund, in 2006/07 the District established "The Special Reserve Fund for Other Than Capital Outlay Fund" to account for the "reserve for economic uncertainty" mandated by the State. This fund may be accessed for general fund purposes without restriction or pay back requirement (other than to each year budget sufficiently to meet the State reserve for economic uncertainty requirement each year). Certain other District funds could, if need be and to the extent monies are available therein, be accessed on a temporary basis through District Board action and must be repaid within the fiscal year borrowed, or in the following fiscal year under certain limited circumstances. Among such funds are the District's adult education, cafeteria, building and self-insurance funds, the audited, projected and budgeted ending fund balances for which are shown below for fiscal years 2009/10 through 2011/12, respectively:

BERKELEY UNIFIED SCHOOL DISTRICT
Other District Funds
Year End Fund Balance

	Audited 2009/10	Projected 2010/11	Budget 2011/12
Adult Education	$117,039	$390,794	$390,794
Cafeteria Special Revenue	676,037	895,328	895,326
Building	44,291,897	66,638,926	42,258,346
Self-insurance	2,254,576	2,568,692	2,253,187
Special Reserve for Other Than Capital Outlay	2,513,367	2,571,762	2,581,762

Source: Berkeley Unified School District.

Parcel Taxes

The "Berkeley Schools Enrichment Program," a parcel tax program of the District, was originally approved by voters in November 1986 and first levied in fiscal year 1987/88. A measure to renew the parcel tax program for twelve years was passed on November 8, 1994 as the "Berkeley Schools Excellence Program" ("BSEP"). On November 2, 2004 Berkeley voters approved a new parcel tax ("Measure B"), structured as a two year supplement to BSEP. Measure B is managed as a part of BSEP. On November 7, 2006, District voters approved by 79.05% a new parcel tax measure that in effect continues the BSEP and Measure B tax levies in an equivalent combined levy beginning in 2007/08, structured as an extension of BSEP for ten fiscal years. Two-thirds approval by voters voting is required for parcel tax enactment. BSEP funds certain District expenditures, including certain salaries, for the purposes of reducing class size, providing maintenance and security, providing supplementary books and materials and enriching certain school programs. A separate planning budget is developed annually for BSEP, along with the regular District budget. Parcel tax revenues from BSEP (including Measure B) were $23,344,237 for 2010/11 and are estimated at $23,577,700 for 2011/12. BSEP tax revenues are incorporated in the District's 2011/12 budget and financial reporting for prior years.

On November 7, 2000, a second parcel tax program to BSEP, the "Berkeley Schools Facilities Safety and Maintenance Act of 2000"(the "Measure BB"), was passed by yes vote of 78.4% of the votes cast. The Measure BB levy began in fiscal year 2000/01 for twelve fiscal years through 2011/12. On November 2, 2010, by a yes vote of 80.88% of votes cast, the "Berkeley Schools Facilities Safety and Maintenance Act of 2010" ("Measure H") was passed, extending the Measure BB tax levy for ten fiscal years from 2012/13 through 2021/22. The purpose of the Measure BB is to fund certain District expenditures for maintenance, including certain related salaries. A separate planning budget is developed annually for the Measure BB tax, along with the regular District budget. Measure BB parcel tax revenues were $5,617,286 for 2010/11 and are estimated at $5,583,851 for 2011/12, and are incorporated in the District's 2011/12 budget and financial reporting for prior years.

See **"CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS — Articles XIIIC and XIIID"** regarding the potential impact of Article XIIIC on the District's ability to levy and collect the parcel taxes.

Audit

Basic Financial Statements and Notes thereto with Management's Discussion and Analysis and Independent Auditors Report and certain Supplementary Information and Notes thereto for the year ended June 30, 2010 are included in **APPENDIX A** herein. The District considers its audited financial statements to be documents of public record. The District has not requested its present auditors, Perry-Smith LLP, to review this Official Statement, nor have they done so.

District Debt

Short Term Obligations

The District has no short-term obligations outstanding. The District issued $11,500,000 2010 Tax and Revenue Anticipation Notes on November 30, 2010 that matured and were paid on June 1, 2011 from 2010/11 general fund revenue. The principal and interest paid on June 1, 2011 was set aside for payment prior to June 1, 2011.

General Obligation Bonds

As of June 30, 2011 and September 30, 2011, the principal or denominational amounts of District general obligation bonds outstanding, all payable from *ad valorem* property taxes levied and collected within the District by the County, are as follows:

BERKELEY UNIFIED SCHOOL DISTRICT
Outstanding General Obligation Bonds
As of June 30, 2011 and September 30, 2011

Date of Issue	Series	Amount of Original Issue	Outstanding as of June 30, 2011	Outstanding as of Sept. 30, 2011
May 29, 2003	General Obligation Bonds, Election of 2000, Series 2003	$50,000,000.00	$39,825,000.00	$38,150,000.00
November 17, 2004	2004 General Obligation Refunding Bonds	28,950,000.00	22,285,000.00	20,105,000.00
June 9, 2005	2005 General Obligation Refunding Bonds	19,090,000.00	16,440,000.00	15,520,000.00
July 28, 2005	General Obligation Bonds, Election of 2000, Series 2005	24,500,000.00	22,340,000.00	21,545,000.00
June 28, 2007	General Obligation Bonds, Election of 2000, Series 2007	24,500,000.00	23,225,000.00	22,540,000.00
September 3, 2008	2008 General Obligation Refunding Bonds	43,060,000.00	38,590,000.00	36,250,000.00
June 16, 2009	2009 General Obligation Bonds	17,774,222.00	17,774,222.00	17,774,222.00
December 10, 2009	2009 General Obligation Refunding Bonds	25,440,000.00	22,930,000.00	20,805,000.00
May 26, 2011	Taxable General Obligation Bonds, Election of 2010, Series A (2011) (Direct Pay Qualified School Construction Bonds)	25,000,000.00	25,000,000.00	25,000,000.00
May 26, 2011	General Obligation Bonds, Election of 2010, Series A (2011)	10,000,000.00	10,000,000.00	10,000,000.00
			$238,409,222.00	$227,689,222.00

As of June 30, 2011, the remaining debt service on District general obligation bonds outstanding, all payable from *ad valorem* property taxes levied and collected within the District by the County, was as follows:

BERKELEY UNIFIED SCHOOL DISTRICT
Outstanding General Obligation Bond Remaining Debt Service
As of June 30, 2011

Fiscal Years	Principal	Interest [a]	Total
2011/12	$10,720,000.00	$8,685,282.95	$19,405,282.95
2012/13	11,125,000.00	8,460,128.93	19,585,128.93
2013/14	11,550,000.00	8,043,495.17	19,593,495.17
2014/15	12,049,222.00	7,592,298.16	19,641,520.16
2015/16	13,035,000.00	7,093,809.28	20,128,809.28
2016/17 - 2020/21	75,860,000.00	27,393,302.00	103,253,302.00
2021/22 - 2025/26	63,150,000.00	15,111,679.20	78,261,679.20
2026/27 - 2030/31	29,075,000.00	6,176,633.16	35,251,633.16
2031/32 - 2035/36	11,845,000.00	1,216,506.27	13,061,506.27
	$238,409,222.00	$89,773,135.12	$328,182,357.12

[a] Net of U. S. Treasury subsidy payments on District's Series A (2011) Bonds.

See also **"Notes to Financial Statements - Note 5"** in the District's Basic Financial Statements as of June 30, 2010 in **"APPENDIX A"** for further description of long-term obligations of the District.

Availability of Documents

Additional public documents will be made available upon request through the Business Office of the District. Such public documents include periodic financial reports such as interim reports, approved budget and audited financial statements. See **"INTRODUCTION — Other Information"** herein for contact information.

DISTRICT TAX BASE INFORMATION

This section presents certain information concerning the property tax base in the District. For general information on how ad valorem *property tax is assessed, levied and collected, see* **"AD VALOREM *PROPERTY TAXATION"*** *herein.*

Assessed Valuation

The following table represents the five-year history of assessed valuation in the District. See **"*AD VALOREM* PROPERTY TAXATION — Assessed Valuation"** herein for further information on assessed valuation.

BERKELEY UNIFIED SCHOOL DISTRICT Assessed Valuation				
Fiscal Year	Local Secured	Utilities	Unsecured	Total
2007/08	$11,160,954,144	$1,324,910	$606,856,020	$11,769,135,074
2008/09	11,918,841,189	473,910	671,983,004	12,591,298,103
2009/10	12,086,018,922	473,910	720,264,455	12,806,757,287
2010/11	12,148,059,559	555,664	677,887,524	12,826,502,747
2011/12	12,526,417,236	555,664	667,789,011	13,194,761,911

Source: California Municipal Statistics, Inc.

Secured Tax Charges and Delinquencies

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

BERKELEY UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies

Fiscal Year	Secured Tax Charge[a]	Amount Delinquent as of June 30	Percent Delinquent June 30
2005/06	$13,364,800.65	$284,698.08	2.13%
2006/07	13,866,479.33	328,675.87	2.37
2007/08	15,475,117.81	439,439.58	2.84
2008/09	17,015,151.81	524,880.86	3.08
2009/10	17,904,355.99	523,495.32	2.92

[a] Bond levy taxes only collected by the County within the District.

Source: California Municipal Statistics, Inc.

Under the Teeter plan, the County funds the District its full tax levy allocation rather than funding only actual collections (levy less delinquencies). In exchange, the County receives the interest and penalties that accrue on delinquent payments, when the late taxes are collected. The County includes the District's general purpose secured property tax levy under the Teeter Plan, but *does not* include the *ad valorem* tax levy for the District's general obligation bonds. See **"*AD VALOREM* PROPERTY TAXATION — Teeter Plan"** herein.

Tax Rates

The following is a summary of tax rates for a representative tax rate area, TRA 13-000, within the District. See "***AD VALOREM* PROPERTY TAXATION**" for further information on establishing tax rates.

BERKELEY UNIFIED SCHOOL DISTRICT
Summary of Tax Rates
TRA 13-000

	2007/08 Tax Rate	2008/09 Tax Rate	2009/10 Tax Rate	2010/11 Tax Rate	2011/12 Tax Rate
County-wide Rate[(a)]	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Peralta Community College District Bonds	0.0223	0.0362	0.0430	0.0430	0.0436
Berkeley Unified School District Bonds	0.1405	0.1450	0.1502	0.1463	0.1478
Bay Area Rapid Transit District	0.0076	0.0090	0.0057	0.0031	0.0041
East Bay Regional Park District Bonds	0.0080	0.0100	0.0108	0.0084	0.0071
East Bay Municipal Utility District Special District 1	0.0065	0.0064	0.0065	0.0067	0.0067
City of Berkeley Bonds	0.0450	0.0550	0.0506	0.0480	0.0470
Total Tax Rates	1.2299%	1.2616%	1.2668%	1.2555%	1.2563%

(a) Maximum rate for purposes other than paying debt service in accordance with Article XIIIA of the Constitution.

Source: Alameda County Office of the Auditor-Controller.

Largest Taxpayers

The twenty largest taxpayers in the District, as shown on the 2011/12 secured tax roll, and the amounts of their assessed valuation for all taxing jurisdictions within the District, are shown below.

BERKELEY UNIFIED SCHOOL DISTRICT
Largest Taxpayers

Property Owner	Product/Service	2011/12 Assessed Valuation	Percent of Total[a]
Bayer Healthcare LLC	Industrial	$268,343,124	2.14%
EQR Berkeley LP	Apartments	111,057,029	0.89
SNK Captec Arpeggio LLC	Commercial	85,126,297	0.68
Granite Library Gardens LP	Apartments	60,308,360	0.48
Essex Berkeley 4th Street LP	Apartments	45,063,723	0.36
SC Hillside Berkeley Inc.	Apartments	44,848,758	0.36
920 Heinz LP	Supermarket	35,824,979	0.29
1950 MLK LLC	Apartments	35,569,099	0.28
Ed Roberts Campus	Office Building	34,515,723	0.28
Hanumandla R. & Hanumandla J. Reddy, Trustees	Apartments	34,133,310	0.27
GAIA Building LLC	Apartments	30,261,905	0.24
Seventh Street Properties II III & VIII	Industrial	29,346,785	0.23
BVP Fulton LLC	Apartments	27,863,127	0.22
2600 Tenth Street LLC	Office Building	25,871,661	0.21
John K. Gordon and Janis L. Mitchell, Trust	Office Building	24,991,980	0.20
Prasad R. and Santi Lakireddy	Office Building	24,289,880	0.19
Oxford Street Development LLC	Office Building	23,584,692	0.19
Jay and Anna Lakireddy, Trust	Apartments	22,411,232	0.18
First Shattuck LLC	Office Building	20,810,318	0.17
Numano Sake Company Inc.	Industrial	20,801,847	0.17
TOTAL		$1,005,023,829	8.02%

[a] 2011/12 Local Secured Assessed Valuation: $12,526,417,236.

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated as of October 1, 2011. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. The first column lists local agencies with territory overlapping, at least in part, that of the District. The second column shows the portion of each overlapping entity's debt assignable within the boundaries of the District, and the third column shows the amount of that portion of the overlapping entity's existing debt. The total amount of debt for each overlapping entity is not given. The Debt Report also shows, at the top, the gross assessed valuation, less any redevelopment agency tax increment and the resulting net assessed valuation after deducting redevelopment agency tax increment. *Ad valorem* tax levy rates for paying general obligation bonds are determined on the basis of gross assessed valuation; allocation of the basic 1% *ad valorem* tax levy to taxing agencies within a county is determined on the basis of the net assessed valuation after deducting redevelopment agency tax increment.

BERKELEY UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Debt

2011/12 Assessed Valuation:	$13,194,761,911
Redevelopment Incremental Valuation:	(175,166,354)
Adjusted Assessed Valuation:	$13,019,595,557

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Percent Applicable[a]	Debt as of October 1, 2011
Bay Area Rapid Transit District	2.908%	$11,996,663
East Bay Municipal Utility District, Special District No. 1	21.254	5,216,794
Peralta Community College District	23.035	98,131,404
Berkeley Unified School District	100	227,689,222[b]
City of Berkeley	100	79,075,000
City of Oakland	0.002	5,234
East Bay Regional Park District	4.506	5,886,864
City of Berkeley Community Facilities District No. 1	100	6,050,000
City of Berkeley 1915 Act Bonds	100	1,310,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$435,361,181
OVERLAPPING GENERAL FUND DEBT:		
Alameda County General Fund Obligations	7.502	$53,377,630
Alameda County Pension Obligations	7.502	11,596,947
Alameda-Contra Costa Transit District Certificates of Participation	9.153	3,156,412
Peralta Community College District Benefit Obligations	23.035	34,946,189
City of Berkeley Lease Revenue Bonds and Certificates of Participation	100	38,145,000
City of Berkeley Pension Obligations	100	2,285,000
City of Oakland General Fund and Pension Obligations	0.002	11,011
TOTAL OVERLAPPING GENERAL FUND DEBT		$143,518,189
COMBINED TOTAL DEBT		$578,879,370[c]

[a] Based on 2010/11 ratios.
[b] Excludes tax and revenue anticipation notes to be sold.
[c] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Rations to 2011/12 Assessed Valuation:
Direct Debt ($227,689,222) 1.73%
Total Direct and Overlapping Tax and Assessment Debt 3.30%

Ratios to Adjusted Assessed Valuation:
Combined Total Debt 4.45%

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

Source: California Municipal Statistics, Inc.

ECONOMIC PROFILE

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

Introduction

The County is located on the east side of the San Francisco Bay and extends from the cities of Berkeley and Albany in the north to the City of Fremont in the south. The County is the sixth most populous county in California. Most of the County's population is concentrated in a highly urbanized area between the San Francisco Bay and the East Bay Hills. This area includes the cities of Albany, Berkeley, Fremont, Hayward, Newark, Oakland, Piedmont, San Leandro, and Union City. The District is located in, and is coterminous with, the City.

Population

The following table summarizes population figures for the City and for the County.

CITY OF BERKELEY AND ALAMEDA COUNTY
Population

Year	City of Berkeley	Alameda County
2001	103,571	1,465,332
2002	104,288	1,482,842
2003	104,200	1,490,473
2004	104,181	1,495,162
2005	104,115	1,498,967
2006	105,267	1,506,176
2007	106,022	1,519,326
2008	106,698	1,537,719
2009	107,178	1,556,657
2010	108,119	1,574,857

Source: State of California Department of Finance population estimates as of January 1 of each year.

Employment

The following table summarizes employment and unemployment in the Oakland Metropolitan Statistical Area, which is comprised of both Alameda and Contra Costa Counties..

OAKLAND MSA
Civilian Labor Force, Employment and Unemployment
Annual Averages

	2006	2007	2008	2009	2010
Civilian Labor Force[(a)]					
Employment	1,197,500	1,207,900	1,208,500	1,153,000	1,133,200
Unemployment	54,700	59,200	79,200	135,600	144,200
Total	1,252,200	1,267,100	1,287,700	1,288,600	1,277,400
Unemployment Rate[(b)]	4.4%	4.7%	6.2%	10.5%	11.3%

(a) Based on place of residence; March 2010 Benchmark.
(b) The unemployment rate is calculated using unrounded data.

Source: California Employment Development Department, Labor Market Information Division

The following table summarizes the historical numbers of workers in the Oakland Metropolitan Statistical Area, which is comprised of both Alameda and Contra Costa Counties, by industry.

OAKLAND MSA
Estimated Number of Wage and Salary Workers by Industry[(a)]
(in thousands)

	2006	2007	2008	2009	2010
Agricultural	1,500	1,500	1,400	1,400	1,500
Natural Resources and Mining	1,200	1,200	1,200	1,200	1,200
Construction	73,500	71,700	64,900	53,500	47,600
Manufacturing	95,800	94,400	93,100	82,800	78,600
Trade, Transportation and Utilities	197,100	199,300	193,000	179,000	173,900
Information	30,100	29,000	27,800	25,300	23,900
Financial Activities	67,700	58,100	57,200	48,000	48,300
Professional and Business Services	155,100	158,000	162,400	148,700	148,000
Educational and Health Services	124,800	128,300	133,000	137,200	139,700
Leisure and Hospitality	85,600	88,000	89,100	85,100	85,600
Other Services	35,900	36,200	36,100	34,700	34,600
Government	182,000	183,900	1,776,200	172,500	167,100
Total All Industries	1,046,100	1,049,700	1,031,800	969,400	949,800

(a) The industry employment data are now based upon the North American Industry Classification System (NAICS). Newly released data are ***not*** comparable to the data based on the Standard Industrial Classification (SIC). Items may not add to totals due to independent rounding. March 2010 Benchmark.

Source: California Employment Development Department, Labor Market Information Division.

Major Employers

The following table lists the major manufacturing and non-manufacturing employers in the City:

CITY OF BERKELEY
Major Employers

Company	Type of Business	Employees
City of Berkeley	Legislative Body	1159
Msr Claremont Resort, LP	Membership Sports Club Hotel/Motel Operation Eating Place	680
Alta Bates Summit Medical Ctr	General Hospital	653
Pacific Steel Casting Co	Manufactures alloy steel castings; nonferrous foundry	550
Barra Inc	Prepackaged Software Services Management Services Investment Advisory Service	280
Associated Students of The	School/Educational Services Amusement/Recreation Services	250
Publishers Group Inc	Whol Books/Newspapers	230
California Shakespeare Theater	Theatrical Producers/Services	225
Xoma Ltd	Manufactures pharmaceutical preparations; manufactures biological toxins, viruses & similar substances, including venom	218
Berkeley Unified School Dist	Elementary/Secondary School	211
Gs Style Engine	Ret Family Clothing	200
Pacific School of Religion	College/University Religious Organization	200
Berkeley Bowl Produce Inc	Ret Fruits/Vegetables	200
Clif Bar & Co	Manufactures cookies & crackers; wholesales bakery products	170
International House	Rooming/Boarding House	162
O C Jones & Sons Inc	Highway/Street Construction	150
International Child Resource	Clearing House For Information-Children's Service Projects	150
Meyer Sound Laboratories Inc	Manufactures loudspeakers	140
Rasputin's Franchising Corp	Ret Records/Cd's/Tapes Ret Used Merchandise	140
Berkeley Cement Inc	Concrete Contractor	140

Source: Dun & Bradstreet, Inc.

Construction Activity

The following table summarizes historical residential building permit valuation for the City and the County.

CITY OF BERKELEY AND ALAMEDA COUNTY
Residential Building Permit Valuation
(Dollars in Thousands)

	City of Berkeley		Alameda County	
Year[(a)]	Units[(b)]	Valuation[(c)]	Units[(b)]	Valuation[(c)]
2006	141	16,519	6,229	1,153,500
2007	74	10,917	2,912	680,081
2008	405	37,006	1,925	390,845
2009	178	35,685	1,333	328,890
2010	18	3,404	1,727	397,632

[(a)] As of January 1.
[(b)] Does not include alterations and additions.
[(c)] Includes all residential building activity.

Source: U.S. Bureau of the Census.

Commercial Activity

The following table summarizes historical taxable transactions in the City and the County.

CITY OF BERKELEY AND ALAMEDA COUNTY
Taxable Transactions
(Dollars in Thousands)

	City of Berkeley		Alameda County	
Year	Outlets	Taxable Transactions	Outlets	Taxable Transactions
2005	4,562	$1,276,011	42,792$	24,242,981
2006	4,488	1,337,718	41,951	25,223,384
2007	4,425	1,352,796	42,014	25,831,140
2008	4,457	1,339,797	41,783	23,862,957
2009	4,207	1,230,203	38,663	20,430,628

Source: State Board of Equalization.

Median Household Income

Effective Buying Income (EBI) is defined as money income less personal income tax and non-tax payments, such as fines, fees or penalties. The following table summarizes historical median household EBI, for the City, County, State of California and United States of America.

CITY OF BERKELEY, ALAMEDA COUNTY, STATE OF CALIFORNIA AND UNITED STATES OF AMERICA
Median Household Effective Buying Income

Year[a]	City of Berkeley	Alameda County	State of California	United States of America
2002	$45,998	$54,076	$43,532	$38,365
2003	41,292	49,574	42,484	38,035
2004	40,822	50,431	42,924	38,201
2005	42,432	51,415	43,915	39,324
2006		Not Available		
2007		Nor Available		
2008	44,217	54,688	48,203	41,792
2009	45,264	55,987	48,952	42,303

[a] As of January 1.

Source: "Survey of Buying Power", *Sales and Marketing Management Magazine*.

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 includable 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 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 Internal Revenue 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 each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

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

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity (the "Reduced Issue Price"), 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. Such treatment would apply to any purchaser who purchases a Bond for a price that is less than its Revised Issue Price. 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 Bond. 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 Bond.

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 includable 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 Issuer as a taxpayer and the Bondholders 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.

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

American Jobs Act of 2011

On September 12, 2011, President Obama submitted to Congress a legislative proposal entitled the "American Jobs Act of 2011" (the "Jobs Act"). If enacted as proposed, the Jobs Act would, among other things, subject interest on all tax-exempt securities (including the Bonds) owned by taxpayers with incomes above certain thresholds to a new federal tax. The Jobs Act would be effective for taxable years beginning on or after January 1, 2013. The proposal has not passed either of the two Houses of Congress and it is not possible to predict whether this proposal will be enacted into law. If enacted into law, such a proposal could adversely affect the value or marketability of all tax-exempt securities (including the Bonds). Prospective purchasers should consult with their own tax advisors regarding the Jobs Act and any other pending or proposed federal income tax legislation.

OTHER LEGAL MATTERS

No Litigation

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

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 security for deposits of public moneys in California.

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Bond Counsel. A complete form of the proposed opinion of Bond Counsel is set forth in **APPENDIX B** hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness, or fairness of this Official Statement.

MISCELLANEOUS

Rating

Standard & Poor's has assigned its rating of **"AA-"** to the Bonds. Such ratings reflect only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency at the following address: Standard & Poor's, 55 Water Street, 38th Floor, New York, New York 10041.

Generally, a rating agency bases its rating on the information and materials furnished to it (some of which may not be included in this Official Statement) and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgement of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Underwriting

Pursuant to the terms of a public sale held on ____________________, ____________________, as Underwriter (the "Underwriter"), has agreed to purchase the Bonds from the District at the purchase price of $_____________. The Underwriter has represented to the District that the Bonds were reoffered to the public at the prices or yields set forth on the cover page of this Official Statement, at an aggregate reoffering price of $________________________. The Underwriter will be obligated to take and pay for all of the Bonds, if any Bond is purchased

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District by not later than 270 days following the end of the District's fiscal year (the "Annual Report"), commencing with the Annual Report for the 2010/11 Fiscal Year, which is due no later than April 1, 2012 and to provide notices of the occurrence of certain enumerated events, if material. Currently, the District's Fiscal Year ends on June 30 of each year. The Annual Report will be filed by the District in readable PDF or other acceptable electronic form with the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board ("EMMA"). Any notices of material events will be filed with EMMA in the same manner as an Annual Report. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below under the caption **"APPENDIX C — Form of Continuing Disclosure Certificate."** These covenants have been made to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

Financial Advisor

The District has entered into an agreement with the Financial Advisor, whereunder the Financial Advisor provides financial recommendations and guidance to the District with respect to preparation and sale of the Bonds. The Financial Advisor has read and participated in the drafting of certain portions of this Official Statement and has supervised the completion and editing thereof. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other related information available to the District, with respect to accuracy and completeness of disclosure of such information, and the Financial Advisor makes no guaranty, warranty or other representation respecting accuracy and completeness of the Official Statement or any other matter related to the Official Statement.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the documents, statutes and constitutional provisions referenced herein, do not purport to be complete, and reference is made to said documents, statutes, and constitutional provisions for full and complete statements of their provisions. This Official Statement has been reviewed and approved by the District.

BERKELEY UNIFIED SCHOOL DISTRICT

By____
Deputy Superintendent, CPA

APPENDIX A

BASIC FINANCIAL STATEMENTS, WITH MANAGEMENT'S DISCUSSION AND ANALYSIS, INDEPENDENT AUDITOR'S LETTER AND CERTAIN SUPPLEMENTARY INFORMATION FOR YEAR ENDED JUNE 30, 2010 FOR BERKELEY UNIFIED SCHOOL DISTRICT

BERKELEY UNIFIED SCHOOL DISTRICT

COUNTY OF ALAMEDA

BERKELEY, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2010

AND

INDEPENDENT AUDITOR'S REPORT

PERRY-SMITH
THE POWER OF CONFIDENCE

PERRY-SMITH
THE POWER OF CONFIDENCE

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Sacramento, CA 95814
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Berkeley Unified School District
Berkeley, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Berkeley Unified School District, as of and for the year ended June 30, 2010, which collectively comprise Berkeley Unified School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Berkeley Unified School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2011 on our consideration of Berkeley Unified School District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Management's Discussion and Analysis and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and the Schedule of Other Postemployment Benefits Funding Progress, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Perry-Smith LLP

Sacramento, California
January 12, 2011

BERKELEY UNIFIED SCHOOL DISTRICT

2134 Martin Luther King Jr. Way, Berkeley, California 94704-1180

www.berkeley.k12.ca.us

Management's Discussion & Analysis

The Management's Discussion and Analysis Section of the audit report is District management's view of the District's financial condition, and provides an opportunity to discuss important fiscal issues with the board and the public. New accounting rules require this discussion and analysis, which makes reporting of finances similar to that of private business.

Financial Reports

Two financial reports, the Statement of Net Assets and the Statement of Activities, which begin on page 11, report the District-wide financial condition and activities. The individual fund statements which focus on reporting the District's operations in more detail begin on page 13.

Overview of the Financial Statements

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates *like businesses*, such as food services.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. This overview section is the Management's Discussion and Analysis and highlights the structure and contents of each of the statements.

District-wide Statements

The District-wide statements report information about the District's financial position as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District'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 District-wide statements report the District's *net assets* and how they have changed. Net assets is the difference between the District's assets and liabilities and is one way to measure the District's financial health or position.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-wide	Fund Statements: Governmental Funds	Fund Statements: Proprietary Funds	Fund Statements: Fiduciary Funds
Scope	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	•statement of net assets •statement of activities	•balance sheet •statement of revenues, expenditures & changes in fund balances	•statement of net assets •statement of revenues, expenses & changes in fund net assets •statement of cash flows	•statement of fiduciary net assets •statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; Standard's funds do not currently contain nonfinancial assets, though they can
Type of inflow outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements the District's activities are divided into two categories:

- *Governmental activities*—Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*—The District charges fees to help it cover the costs of certain services it provides. The District's student care center activity is included here.

Statement of Net Assets

	Governmental Activities 2009	Governmental Activities 2010	Change 2009-2010
Current and other assets	$ 116,341,251	$ 110,400,330	
Capital assets	219,070,842	221,814,018	
Total assets	335,412,093	332,214,348	-1%
Long-term debt outstanding	227,141,291	216,696,199	
Other liabilities	33,676,215	32,536,889	
Total liabilities	260,817,506	249,233,088	-4%
Invested in capital assets,net of	46,063,417	50,574,848	
Restricted	19,929,519	28,984,587	
Unrestricted	8,601,651	3,421,825	
Total net assets	$ 74,594,587	$ 82,981,260	11%

Statement of Activities

Governmental Activities		
	2009	2010
Revenues		
Program Revenues:		
Charges for Services	$ 994,994	$ 858,681
Operating Grants	32,383,854	32,548,001
Capital Grants and Contributions	679,138	0
General Revenues		
Property Taxes	71,558,164	74,800,713
Federal and State Aid	27,215,684	34,527,454
Other	15,126,873	2,946,900
Total Revenues	147,958,707	145,681,749
Program Expenses		
Instruction	81,549,084	77,745,632
Instruction Related Services	15,896,305	15,010,365
Pupil Services	12,097,418	11,220,118
Ancillary Services	242,996	250,293
Community Services	209,690	196,996
General Administration	9,054,491	8,352,166
Plant Services	14,100,756	14,112,098
Enterprise Services	2,615,348	622,050
Interest	9,678,889	8,099,218
Other	8,559	1,686,140
Total Expenses	145,453,536	137,295,076
Increase in Net Assets	2,505,171	8,386,673
Net Assets - Beginning	72,089,416	74,594,587
Net Assets - Ending	$ 74,594,587	$ 82,981,260

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental funds*— The District's General Operating, Special Revenue, Capital Projects and Debt Service Funds are included in the governmental funds. Special Revenue Funds include the Adult Education, Child Development, Cafeteria, Deferred Maintenance, Pupil Transportations Equipment and Special Reserve Funds. The Capital Projects Funds include the Building and County School Facilities Funds. Debt Service Funds include the Bond Interest and Redemption and Tax Override Funds. Consequently, the governmental funds statements 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. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

- *Proprietary funds*—Services for which the District funds by making a contribution based on a percentage of payroll expenditures are reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's Self Insurance Fund used to account for the District's Workers' Compensation program transactions is a proprietary fund.

- *Fiduciary funds*—The District is the trustee, or *fiduciary,* for assets that belong to others, such as the Warrant Pass-Through fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

Financial Condition of the General Fund

Berkeley Unified School District is striving to maintain its solid financial position. Revenues increased despite state budget reductions due to the legislative change making adult education funds a part of the unrestricted general fund and an increase in average daily attendance in 2009-2010. The District receives the majority of its revenue based on a formula applied to average daily attendance. Additionally parcel tax revenue increased due to a cost of living adjustment (COLA). Other financing uses increased due to the transfer of a majority adult education funds that are now unrestricted to the adult education fund to sustain most of its programs. General Fund expenditures for 2009-2010 are much less than 2008-2009 largely due to a one-time retroactive salary increase paid out in 2008-2009 and a few staff reductions made in 2009-2010. The deficit spending of $1.3 million in 2008-2009 was largely due to the retroactive salary adjustment which was planned and maintained in the reserves in prior year 2007-2008. No salary increases (COLA) was paid to employees in fiscal year 2009-2010. The following table summarizes General Fund financial statements:

	General Fund		Percentage Change
	2009	2010	2009-2010
Total Revenues	$ 111,267,835	$ 113,159,392	1.7%
Expenses	112,418,251	108,594,121	-3.4%
Other financing sources	(218,013)	(3,209,468)	1372.1%
Change in fund balance	$ (1,368,429)	$ 1,355,803	-199.1%

Capital Assets

At year-end, the District's capital assets had an increase of $2.74 million over the prior year. This represents a 1.3% increase over last year's total capital assets.

	All funds		Percentage Change
	2009	2010	2009-2010
Land	$ 6,919,100	$ 6,919,100	
Improvement of sites	6,509,075	6,033,306	
Buildings	189,467,398	186,479,708	
Equipment	1,972,982	1,458,777	
Work - in process	14,202,287	20,923,127	
Total	$ 219,070,842	$ 221,814,018	1.3%

Land is accounted for at purchase value, not market value, and is not depreciated. Many of our school sites have low values for today's market because the District acquired the land many decades ago. We have determined the value of school buildings to be the depreciated cost of modernization unless the building is less than 25 years old. The decrease in the value of Buildings and Equipment was due to depreciation. Increase in work-in process represents increased in cost for projects that are starting, on-going and not yet completed. Once these projects are completed these costs are transferred to Improvement of Sites or Building costs.

District Indebtedness

At year-end, the District has incurred $216.7 million of long-term debt. Of that, $213.1 million is General Obligation Bonds secured by property tax increases voted on by local residents. The District issues General Obligation Bonds which is a long term obligation in order to borrow up front funds for bond measures until property tax proceeds are received from Berkeley residents. There were no new General Obligation Bonds issued in 2009-2010. However, in November 2009, the District issued $25.4 million general obligation bond refunding which restructured its debt for existing bonds and decreased interest expense. Payments on the principal of the General Obligation bonds decreased the amount owed between years.

	Governmental Activities		Percentage Change
	2009	2010	2009-2010
Compensated absences	$ 1,792,027	$ 2,372,442	
General obligation bonds	223,077,788	213,109,693	
Post-employment medical benefits	932,560	1,214,064	
Total	$ 225,802,375	$ 216,696,199	-2.9%

Post-employment medical benefits represent the annual unfunded portion that has not yet reserved for future payments. The accumulated liability balance of $1.2 million for post-employment medical benefits is based on an actuarial study. Compensated absences represent the amount of liability the District owes for vacation that has been earned but not yet taken or paid out.

Cost of General Fund Operations (Funds 01-08)

At year-end, the District's cost of operation was $108.6 million. Total District expenditures were $4.6 million less than the previous year due to budget reductions and a one-time retroactive salary adjustment that was paid out in fiscal year 2008-2009.

	General Fund		Percentage Change
	2009	2010	2009-2010
Certificated salaries	$ 49,253,206	$ 45,821,448	-7.0%
Classified salaries	20,779,780	20,386,122	-1.9%
Employee benefits	20,008,171	20,193,923	0.9%
Books and supplies	4,120,585	3,383,571	-17.9%
Contract services and operating expenditures	18,649,602	18,597,625	-0.3%
Capital outlay	408,152	211,432	-48.2%
Other outgo	8,559	-	-100.0%
Total	$ 113,228,055	$ 108,594,121	-4.1%

Budget to Actual Analysis

The District develops its budget pursuant to the Governor's proposals. Throughout the year the budget is adjusted primarily due to new or adjusted funding levels. A comparison of the General Fund Budget to Actual Revenues and Expenditures is as follows:

	Final Budget 2010	Actual 2010	Percentage Variance
Revenues			
Revenue Limit	$ 45,168,220	$ 45,218,129	
Federal Revenues	9,198,373	7,578,635	
State Revenues	21,915,022	22,274,801	
Local Revenues	38,096,954	38,087,827	
Total Revenues	114,378,569	113,159,392	-1.1%
Expenditures			
Salaries & Benefits	87,127,122	86,401,493	
Books & Supplies	7,497,962	3,383,571	
Services & Other Operating	20,413,782	18,597,625	
Capital Outlay Other Outgo	227,938	211,432	
Total Expenditures	$ 115,266,804	$ 108,594,121	5.8%

Total budgeted revenues were $1.2 million higher than actual revenues received. Actual federal revenue was lower than budgeted due to the deferral of unexpended revenue to the following year. Total expenditures were $6.7 million less than budgeted due to unexpended budgets that resulted in carryover in parcel tax, federal and state grants to the next fiscal year and salary and non-salary savings generated from budget reductions.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2010-2011 year, the Governing Board and management used the following criteria:

2010-11 ADOPTED BUDGET ASSUMPTIONS

The 2010-11 Adopted Budget has been compiled using the Governor's May Revise and School Services of California (SSC) Dartboard.

School district budgets are not static documents and must be revised as often as necessary in order to respond to the changing politics at the State and Federal level, as well as to the changing goals and needs of the District. In order to project the budget, a series of assumptions are determined and inserted into State and District formulas. The 2010-11 Adopted Budget is based on the following assumptions, as appropriate with conservative estimate for both revenues and expenditures:

GENERAL FUND REVENUES

Revenue Limit

- Revenue Limit COLA of -.39%
- Projected regular ADA of 8,754. This projection is based on the 2009-10 P-2 ADA.
- 18.355% Deficit Reduction for Revenue Limit
- $244.70 Per-ADA Reduction
- No Equalization budgeted.
- Other Revenue Limit sources have been calculated to reflect amounts to be received based on SSC Dartboard estimates, grant letters, and other reliable sources.

Federal Revenues

- Federal funding includes balance of new federal stimulus ARRA funds.
- Projections based on entitlements and grant award letters.

Lottery Revenues

- Projected on estimated funding of $111 per ADA for unrestricted and $14.50 for restricted lottery funding (Prop. 20).

Mandated Costs

- Mandated costs were not included in budget.

State Revenues

- -.39% COLA for State Categorical programs.
- Supplemental hourly programs adjusted for deficits.
- Projections based on entitlements and grant award letters

Parcel Tax Revenue

- There was no COLA in budget for Measure A/BSEP since there was no State funded COLA.
- A COLA of 4.25% was included in budget for Measure BB since COLA is based on prior year State funded COLA.

GENERAL FUND EXPENDITURES

Certificated and Classified Salaries

- Salaries were based on projected staffing costs, step and column increases
- Reductions in positions were made based on board approved budget cuts.
- There was no COLA or salary increase included in the budget for all bargaining units.

Employee Benefits

- Benefit rates reflect current available rates at time budget was prepared. Health Benefit costs were increased to reflect premium increases that are below the District's cap. The employees that have plans that exceed the District's cap bear the costs of any increased premiums. This is the case for all health benefit tiers for the Berkeley Federation of Teachers. Therefore, the majority of increased premium costs are passed on to the employee.

Books, Supplies and Other Materials

- Prior year budgets were rolled over
- Reductions were made to central office budgets based on board approved reductions.
- Restricted resources adjusted to balance grant totals.

Services/Other Operating Expenses

- Prior year budgets were rolled over.
- Reductions were made to central office budgets based on board approved reductions.
- Restricted resources adjusted to balance grant totals.

Reserve for Economic Uncertainties

- The District's Reserve for Economic Uncertainties meets the State minimum requirement of 3%.

Other Significant Expenditures

- There are no other significant expenditure adjustments.

Multi-Year Projections

Revenues for the multi-year projections follow the 2010 SSC's dartboard May Revise Edition. Changes in the revenue limit represent projected changes in ADA, deficit funding and projected COLAs.

Expenditures have been adjusted to reflect any necessary reductions required to maintain an adequate reserve. However, given the State's fiscal condition and pending Governor's funding guarantees, it's difficult to predict with certainty even one year into the future. Thus, we have chosen to use current law in addition to conservative estimates to prepare these multi-year projections.

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 please feel free to contact Javetta Cleveland, Deputy Superintendent or Pauline Follansbee, Director of Fiscal Services at 510-644-8593.

BASIC FINANCIAL STATEMENTS

BERKELEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2010

		Governmental Activities
ASSETS		
Cash and investments (Note 2)	$	94,097,884
Accounts receivable		16,152,427
Stores inventory		150,019
Capital assets, net of accumulated depreciation (Note 4)		221,814,018
Total assets		332,214,348
LIABILITIES		
Accounts payable		16,504,108
Tax and Revenue Anticipation Notes payable (Note 2)		11,300,000
Claims payable (Note 9)		3,411,463
Deferred revenue		1,321,318
Long-term liabilities (Note 5):		
Due within one year		10,320,284
Due after one year		206,375,915
Total liabilities		249,233,088
NET ASSETS		
Invested in capital assets, net of related debt		50,574,848
Restricted (Note 6)		28,984,587
Unrestricted		3,421,825
Total net assets	$	82,981,260

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

BERKELEY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets: Governmental Activities
Governmental activities (Note 4):					
Instruction	$ 77,745,632	$ 105,970	$ 23,220,010		$ (54,419,652)
Instruction-related services:					
Supervision of instruction	6,198,229	9,589	3,185,060		(3,003,580)
Instructional library, media and technology	1,977,854		154,787		(1,823,067)
School site administration	6,834,282	107	78,847		(6,755,328)
Pupil services:					
Home-to-school transportation	3,663,621	.260,737	1,071,926		(2,330,958)
Food services	3,138,685	400,570	2,281,958		(456,157)
All other pupil services	4,417,812		986,909		(3,430,903)
General administration:					
Data processing	1,324,931				(1,324,931)
All other general administration	7,027,235	33,248	1,148,512		(5,845,475)
Plant services	14,112,098	48,460	279,569		(13,784,069)
Ancillary services	250,293		4,273		(246,020)
Community services	196,996		120,703		(76,293)
Enterprise services	622,050				(622,050)
Interest on long-term liabilities	8,099,218				(8,099,218)
Other outgo	1,686,140		15,447		(1,670,693)
Total governmental activities	$ 137,295,076	$ 858,681	$ 32,548,001	$ -	(103,888,394)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					26,961,154
Taxes levied for debt service					19,538,971
Taxes levied for other specific purposes					28,300,588
Federal and state aid not restricted to specific purposes					34,527,454
Interest and investment earnings					813,134
Miscellaneous					2,133,766
Total general revenues					112,275,067
Change in net assets					8,386,673
Net assets, July 1, 2009					74,594,587
Net assets, June 30, 2010					$ 82,981,260

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

BERKELEY UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2010

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	$ 12,839,380	$ 43,358,879	$ 15,577,119	$ 5,483,784	$ 77,259,162
Cash with Fiscal Agent, restricted for repayment of Tax and Revenue Anticipation Notes	11,175,610				11,175,610
Cash on hand and in banks	22,610			188,832	211,442
Cash in revolving fund	100,000				100,000
Accounts receivable	14,983,824	70,851	23,037	1,066,137	16,143,849
Due from other funds	2,994,647	1,007,580		628,584	4,630,811
Stores inventory				150,019	150,019
Total assets	$ 42,116,071	$ 44,437,310	$ 15,600,156	$ 7,517,356	$ 109,670,893
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 11,800,638	$ 145,282		$ 607,985	$ 12,553,905
Tax and Revenue Anticipation Note payable	11,300,000				11,300,000
Deferred revenue	969,283			352,035	1,321,318
Due to other funds	3,553,540			1,614,708	5,168,248
Total liabilities	27,623,461	145,282		2,574,728	30,343,471
Fund balances:					
Reserved for:					
Revolving fund	100,000				100,000
Stores inventory				150,019	150,019
Unspent categorical revenue	5,154,078				5,154,078
Unreserved, reported in:					
General Fund	9,238,532				9,238,532
Special Revenue Funds				4,469,480	4,469,480
Capital Projects Funds		44,292,028		261,765	44,553,793
Debt Service Funds			$ 15,600,156	61,364	15,661,520
Total fund balances	14,492,610	44,292,028	15,600,156	4,942,628	79,327,422
Total liabilities and fund balances	$ 42,116,071	$ 44,437,310	$ 15,600,156	$ 7,517,356	$ 109,670,893

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

BERKELEY UNIFIED SCHOOL DISTRICT

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

June 30, 2010

Total fund balances - Governmental Funds		$ 79,327,422
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $306,911,785 and the accumulated depreciation is $85,097,767 (Note 4).		221,814,018
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2010 consisted of (Note 5):		
General Obligation Bonds	$ (213,759,222)	
Unamortized Bond Premiums	(3,291,095)	
Deferred Defeasance Costs	2,452,268	
Deferred Bond Issuance Costs	1,488,356	
Other Postemployment Benefits (Note 8)	(1,214,064)	
Compensated absences	(2,372,442)	(216,696,199)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets.		2,254,576
In governmental funds, interest on long-term liabilities 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.		(3,718,557)
Total net assets - governmental activities		$ 82,981,260

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

BERKELEY UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2010

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Revenue limit sources:					
State apportionment	$ 19,133,594				$ 19,133,594
Local sources	26,084,535			$ 876,619	26,961,154
Total revenue limit	45,218,129			876,619	46,094,748
Federal sources	7,578,635			4,035,217	11,613,852
Other state sources	22,274,801		$ 182,949	5,175,881	27,633,631
Other local sources	38,087,827	$ 1,800,837	19,440,403	1,477,617	60,806,684
Total revenues	113,159,392	1,800,837	19,623,352	11,565,334	146,148,915
Expenditures:					
Certificated salaries	45,821,448			4,296,475	50,117,923
Classified salaries	20,386,122	205,563		3,740,061	24,331,746
Employee benefits	20,193,923	69,662		2,524,882	22,788,467
Books and supplies	3,383,571	120,330		1,594,480	5,098,381
Contract services and operating expenditures	18,597,625	71,575		540,440	19,209,640
Capital outlay	211,432	7,128,769		374,686	7,714,887
Debt service:					
Principal retirement		26,305,000	10,455,000		36,760,000
Interest		457,189	8,502,389		8,959,578
Total expenditures	108,594,121	34,358,088	18,957,389	13,071,024	174,980,622
Excess (deficiency) of revenues over (under) expenditures	4,565,271	(32,557,251)	665,963	(1,505,690)	(28,831,707)
Other financing sources (uses):					
Operating transfers in	645,841			3,443,309	4,089,150
Operating transfers out	(3,855,309)			(645,841)	(4,501,150)
Proceeds from issuance of debt		25,440,000			25,440,000
Total other financing sources (uses)	(3,209,468)	25,440,000		2,797,468	25,028,000
Net change in fund balances	1,355,803	(7,117,251)	665,963	1,291,778	(3,803,707)
Fund balances, July 1, 2009	13,136,807	51,409,279	14,934,193	3,650,850	83,131,129
Fund balances, June 30, 2010	$ 14,492,610	$ 44,292,028	$ 15,600,156	$ 4,942,628	$ 79,327,422

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

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

For the Year Ended June 30, 2010

Net change in fund balances - Total Governmental Funds		$ (3,803,707)
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net assets (Note 4).	$ 8,602,602	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(5,859,426)	
Issuance on long-term liabilities is a revenue in the governmental funds, but increases long-term liabilities in the statement of net assets (Note 5).	(25,440,000)	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net assets (Note 5).	36,760,000	
In governmental funds, premiums on the issuance of debt is recognized as revenue, and issuance costs are recognized as expenditures. In government-wide statements, premiums and issuance costs are reported as adjustments to the related debt (Note 5).	(1,322,189)	
Amortization of debt premiums, issuance costs and defeasance costs are not recorded in the governmental funds but are reported in the government-wide statements (Note 5).	(29,716)	
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.	403,172	
In governmental funds, the receipt of the special education mandate settlement is reported as revenue in the year received. On the statement of net assets, the settlement amount is recorded as a receivable and payment received in the current year reduces the receivable amount.	(47,121)	
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, internal service activities are reported with governmental activities in the statement of activities.	(15,023)	

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT

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

(Continued)

For the Year Ended June 30, 2010

In the statement of activities, expenses related to post-retirement employee benefits and compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	$ (861,919)	$ 12,190,380
Change in net assets of governmental activities		$ 8,386,673

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

BERKELEY UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND

INTERNAL SERVICE FUND

June 30, 2010

ASSETS	
Cash in County Treasury	$ 5,351,670
Accounts receivable	8,578
Due from other funds	412,000
Total assets	5,772,248
LIABILITIES	
Accounts payable	103,618
Claims liability	3,411,463
Due to other funds	2,591
Total liabilities	3,517,672
NET ASSETS	
Net assets - restricted	$ 2,254,576

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

BERKELEY UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS - PROPRIETARY FUND

INTERNAL SERVICE FUND

For the Year Ended June 30, 2010

Operating revenues:	
In-district contributions	$ 1,835,668
Operating expenses:	
Classified salaries	156,738
Employee benefits	60,655
Books and supplies	5,672
Claims expense	2,077,592
Total operating expenses	2,300,657
Operating loss	(464,989)
Non-operating income:	
Interest income	37,966
Transfers from other funds	412,000
Total non-operating income	449,966
Change in net assets	(15,023)
Net assets, July 1, 2009	2,269,599
Net assets, June 30, 2010	$ 2,254,576

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

BERKELEY UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

INTERNAL SERVICE FUND

For the Year Ended June 30, 2010

Cash flows from operating activities:	
Cash received from user charges	$ 1,835,668
Cash paid to employees for services	(217,393)
Cash paid for insurance claims	(1,683,880)
Cash paid for books and supplies	(9,421)
Net cash used in operating activities	(75,026)
Cash flows provided by financing activities:	
Transfer from other funds	412,000
Cash flows provided by investing activities:	
Interest income	50,550
Change in cash and cash equivalents	387,524
Cash and cash equivalents, July 1, 2009	4,964,146
Cash and cash equivalents, June 30, 2010	$ 5,351,670
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (464,989)
Adjustments to reconcile operating loss to net cash used in operating activities:	
(Decrease) increase in:	
Accounts payable	(6,340)
Claims liability	393,712
Due to other funds	2,591
Total adjustments	389,963
Net cash used in operating activities	$ (75,026)

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

BERKELEY UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

ALL AGENCY FUNDS

June 30, 2010

	Warrant Pass Through Fund	Student Body Funds	Total
ASSETS			
Cash in County Treasury	$ (44,728)		$ (44,728)
Cash on hand and in banks		$ 384,993	384,993
Due from statutory agencies	121		121
Due from other funds	132,082		132,082
Total assets	$ 87,475	$ 384,993	$ 472,468
LIABILITIES			
Due to statutory agencies	$ 83,421		$ 83,421
Due to other funds	4,054		4,054
Due to student groups		$ 384,993	384,993
Total liabilities	$ 87,475	$ 384,993	$ 472,468

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Berkeley Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

Reporting Entity

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

Basis of Presentation - Financial Statements

The financial statements include a Management Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets.

The Statement of Net Assets and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-Wide Financial Statements (Continued)

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

Basis of Presentation - Fund Accounting

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

A - Governmental Fund Types

1 - General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

2 - Special Revenue Funds:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. This classification includes the Adult Education, Child Development, Cafeteria, Deferred Maintenance, Pupil Transportation Equipment and Special Reserve for Other than Capital Projects Funds.

3 - Capital Projects Funds:

The Capital Projects Funds are used to account for resources used for the acquisition of capital facilities by the District. This classification includes the Building and County School Facilities Funds.

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

A - Governmental Fund Types (Continued)

4 - Debt Service Funds:

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term liabilities principal, interest and related costs. This classification includes the Bond Interest and Redemption and Tax Override Funds.

B - Proprietary Fund Type

1 - Self-Insurance Fund:

The Self-Insurance Fund is an internal service fund which is used to account for the District's workers compensation claims.

C - Fiduciary Fund Type

1 - Agency Funds:

Agency Funds are used to account for assets of others for which the District has an agency relationship with the activity of the fund. This classification consists of the Warrant/Pass-Through and the Student Body Funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual

Governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting

By state law, the Board of Trustees must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Trustees complied with these requirements.

The District employs budgetary control by major object code and by individual appropriation account. Expenditures cannot legally exceed appropriations by major object code. The budgets are revised during the year by the Board of Trustees to provide for unanticipated revenues and expenditures. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information.

Capital Assets

Capital assets purchased or acquired, with an original cost of $5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 50 years depending on asset types.

Compensated Absences

Compensated absences in the amount of $2,372,442 is recorded as a liability of the District. The liability is for earned but unused benefits.

Accumulated Sick Leave

Sick leave benefits are not recorded as liabilities on the books of the District. The District's policy is to record amounts as operating expenditures in the period sick leave is taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for all STRS and CalPERS employees, when the employee retires.

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Encumbrances

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

Stores Inventory

Stores inventory is recorded using the consumption method, in that inventory acquisitions are initially recorded in the inventory asset account, and then charged to expenditure when used. Inventory reserves are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net assets.

Deferred Revenue

Revenues from federal, state, and local special projects and programs are recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as deferred revenue until earned.

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriable for expenditure or amounts legally segregated for a specific future use. The restrictions for revolving cash fund and stores inventory reflect the portion of net assets represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date. The restriction for unspent categorical program revenues represents the portion of net assets restricted to specific program expenditures. The restrictions for special revenues, capital projects and debt repayment represents the portion of net assets restricted for special purposes, capital projects and the retirement of debt.

Property Taxes

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

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates

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

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2010 consisted of the following:

	Governmental Funds	Fiduciary Funds
Pooled Funds:		
Cash in County Treasury	$ 82,610,832	$ (44,728)
Cash with Fiscal Agent, restricted for TRANs	11,175,610	
Deposits:		
Cash on hand and in banks	211,442	384,993
Cash in revolving fund	100,000	
Total	$ 94,097,884	$ 340,265

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Alameda County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

2. CASH AND INVESTMENTS (Continued)

Pooled Funds (Continued)

In accordance with applicable state laws, the Alameda County Treasurer may invest in derivative securities. However, at June 30, 2010, the Alameda County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Cash with Fiscal Agent

On November 12, 2009 the District issued $11,300,000 of Tax and Revenue Anticipation Notes (TRANs), maturing on November 23, 2010 with an interest rate of 1.75% to provide for anticipated cash flow deficits from operations. The TRANs are a general obligation of the District and are payable from revenues and cash receipts generated by the District during the fiscal year ended June 30, 2010.

Repayment terms require the entire TRANs principal and accrued interest to be set aside. As of June 30, 2010, funds totaling $11,175,610 held in the General Fund were pledged to repay the principal and accrued interest.

Deposits - Custodial Credit Risk

Cash balances held in banks and revolving funds are insured up to $100,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2010, the carrying amount of the District's accounts was $696,435 and the bank balances were $1,706,504. Of the bank balances, $528,845 was covered by FDIC insurance and $1,177,659 was uninsured but collateralized.

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2010, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2010, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

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

Interfund Receivables/Payables

Interfund receivable and payable balances at June 30, 2010 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	$ 2,994,647	$ 3,553,540
Building	1,007,580	
Non-Major Funds:		
Adult Education	561,035	166,592
Child Development		319,615
Cafeteria	67,549	1,128,501
Agency Funds:		
Warrant/Pass Through	132,082	4,054
Proprietary Fund:		
Self Insurance	412,000	2,591
Totals	$ 5,174,893	$ 5,174,893

Interfund Transfers

Interfund transfers consist of transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2009-2010 fiscal year were as follows:

Transfer from the General Fund to the Adult Education Fund to supplement budget shortfalls as Adult Education is now a Tier III program.	$ 3,403,309
Transfer from the General Fund to the Self Insurance Fund for coverage premiums.	412,000
Transfer from the Child Development Fund to the General Fund for indirect cost.	312,179
Transfer from the Cafeteria Fund to the General Fund for indirect cost.	173,011
Transfer from the Adult Education Fund to the General Fund for indirect cost	160,651

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers (Continued)

Transfer from the General Fund to the Child Development Fund to supplement budget shortfalls as Adult Education is now a Tier III program.	$ 40,000
	$ 4,501,150

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2010, is shown below:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Non-depreciable:				
Land	$ 6,919,100			$ 6,919,100
Work-in-process	14,202,287	$ 6,720,840		20,923,127
Depreciable:				
Improvement of sites	10,708,905	15,307		10,724,212
Buildings	257,367,482	1,818,409		259,185,891
Equipment	9,111,409	48,046		9,159,455
Totals, at cost	298,309,183	8,602,602		306,911,785
Less accumulated depreciation:				
Improvement of sites	(4,199,830)	(491,076)		(4,690,906)
Buildings	(67,900,084)	(4,806,099)		(72,706,183)
Equipment	(7,138,427)	(562,251)		(7,700,678)
Total accumulated depreciation	(79,238,341)	(5,859,426)		(85,097,767)
Capital assets, net	$219,070,842	$ 2,743,176	$ -	$221,814,018

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 3,477,376
Instructional supervision and administration	281,242
Instructional library, media and technology	83,087
School site administration	332,268
Home-to-school transportation	168,214
Food services	150,285
All other pupil services	211,626
Ancillary services	10,648
Community services	9,189
Enterprise activities	114,608
All other general administration	343,645
Centralized data processing	55,725
Plant services	621,513
Total depreciation expense	$ 5,859,426

5. LONG-TERM LIABILITIES

General Obligation Bonds

The District's outstanding General Obligation bonded debt is as follows:

Issue Date	Original Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2009	Bonds Issued	Bonds Redeemed	Bonds Outstanding June 30, 2010
09/01/98	2021	4.40 - 5.00%	$ 38,945,000	$ 28,265,000		$ 28,265,000	
05/14/03	2028	2.00 - 4.80%	50,000,000	43,020,000		1,570,000	$ 41,450,000
10/21/04	2024	3.20 - 4.30%	28,950,000	26,450,000		2,050,000	24,400,000
05/19/05	2025	2.00 - 4.30%	19,090,000	18,195,000		865,000	17,330,000
07/28/05	2030	3.35 - 7.00%	24,500,000	23,815,000		720,000	23,095,000
06/28/07	2031	4.75 - 5.00%	24,500,000	24,500,000		620,000	23,880,000
07/30/08	2025	3.20 - 4.00%	43,300,000	43,060,000		2,195,000	40,865,000
05/26/09	2034	3.35 - 4.00%	17,774,222	17,774,222			17,774,222
11/10/09	2021	2.00 - 5.00%	25,440,000		$ 25,440,000	475,000	24,965,000
			$272,499,222	$225,079,222	$ 25,440,000	$ 36,760,000	$213,759,222

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

On November 10, 2009, the District issued $25,440,000 in General Obligation Refunding Bonds to advance refund the remaining $26,305,000 of the District's 1998 General Obligation Refunding Bonds. As a result, the refunded bonds are considered defeased and have been removed from the District's financial statements.

General Obligation Bonds mature as follows:

Year Ending June 30,	Principal	Interest	Total
2011	$ 10,350,000	$ 8,683,048	$ 19,033,048
2012	10,720,000	8,298,478	19,018,478
2013	11,125,000	7,891,763	19,016,763
2014	11,550,000	7,475,130	19,025,130
2015	12,049,222	7,023,932	19,073,154
2016-2020	67,350,000	27,227,662	94,577,662
2021-2025	53,130,000	14,513,905	67,643,905
2026-2030	29,050,000	5,221,662	34,271,662
2031-2035	8,435,000	700,875	9,135,875
	$213,759,222	$ 87,036,455	$300,795,677

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2010, is shown below:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Amounts Due Within One Year
General Obligation Bonds	$ 225,079,222	$ 25,440,000	$ 36,760,000	$ 213,759,222	$ 10,350,000
Unamortized Bond Premiums	1,962,888	1,558,261	230,054	3,291,095	230,054
Deferred defeasance costs	(2,625,406)		(173,138)	(2,452,268)	(173,138)
Deferred Bond issuance costs	(1,338,916)	(236,072)	(86,632)	(1,488,356)	(86,632)
Other postemployment benefits (Note 8)	932,560	2,206,092	1,924,588	1,214,064	
Compensated absences	1,792,027	580,415		2,372,442	
	$ 225,802,375	$ 29,548,696	$ 38,654,872	$ 216,696,199	$ 10,320,284

Payments on the General Obligation Bonds were made from the Building and Bond Interest and Redemption Funds. Payments on the other postemployment benefits and compensated absences are made from the fund for which the related employee worked.

6. RESTRICTED NET ASSETS

The restricted net assets as of June 30, 2010 consisted of the following:

	Governmental Activities
Restricted for:	
Revolving cash fund	$ 100,000
Stores inventory	150,019
Unspent categorical program revenues	5,154,078
Special revenue funds	4,469,480
Capital projects funds	1,194,914
Debt repayment	15,661,520
Self insurance	2,254,576
	$ 28,984,587

7. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009-2010 was 9.709% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2009 and 2010 were $1,904,162, $2,102,928 and $2,031,859, respectively, and equal 100% of the required contributions for each year.

7. **EMPLOYEE RETIREMENT SYSTEMS** (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2009-2010 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2008, 2009 and 20010 were $3,786,085, $4,010,628 and $3,952,384, respectively, and equal 100% of the required contributions for each year.

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Berkeley Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 141 retirees and 155 beneficiaries currently receiving benefits, and 1,099 active plan members.

Funding Policy

The contribution requirements of plan members of the District are established and may be amended by the District and the California Teachers Association (CTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, CTA, CSEA and the unrepresented groups. For the fiscal year ended June 30, 2010, the District contributed $1,924,588 to the plan.

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy (Continued)

The District's annual other postemployment benefit (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 Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	$ 2,206,092
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	2,206,092
Contributions made	(1,924,588)
Increase in net OPEB obligation	281,504
Net OPEB obligation - beginning of year	932,560
Net OPEB obligation - end of year	$ 1,214,064

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2009 and 2010 was as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 2,206,092	57.7%	$ 932,560
June 30, 2010	$ 2,206,092	87.2%	$ 1,214,064

As of May 1, 2009, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $16.3 million. The covered payroll (annual payroll of active employees covered by the Plan) was $77.9 million, and the ratio of the UAAL to the covered payroll was 21.0 percent.

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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, shown above, 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.

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.

In the May 1, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.5 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4 percent initially, reduced by decrements to an ultimate rate of 3 percent. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was 29 years.

9. RISK MANAGEMENT

Workers' Compensation

The District's workers' compensation activities are recorded in the Internal Service Fund. The purpose of the Fund is to administer employee's compensation on a cost reimbursement basis. The program accounts for the risk financing activities of the District, but does not constitute a transfer of risk from the District.

Insurance Program / Company Name	Type of Coverage	Limits
Berkeley Unified School District Workers' Compensation Insurance Program	Workers' Compensation	Statutory Limit
Berkeley Unified School District	Property & Liability	$1,000,000
Schools Excess Liability Fund	Excess Property and Liability	Limits vary depending on type of loss

9. RISK MANAGEMENT (Continued)

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The Fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The self insurance program was initiated in January 1, 2004. The following represents the changes in approximate aggregate liabilities for the District from July 1, 2008 to June 30, 2010:

	Self Insurance Programs
Liability balance, June 30, 2008	$ 1,923,435
Claims and changes in estimates	2,327,071
Claims payments	(1,232,755)
Liability balance, June 30, 2009	3,017,751
Claims and changes in estimates	2,077,592
Claims payments	(1,683,880)
Liability balance, June 30, 2010	$ 3,411,463

10. JOINT POWERS AGREEMENT

The District is a member with other school districts of a Joint Powers Authority, Schools Excess Liability Fund (SELF), for the operation of a common risk management and insurance program for property and liability coverage. SELF is governed by a Governing Board consisting of representatives from member districts. The Board controls the operations of SELF, including selections of management and approval of operating budgets.

The following is a summary of financial information for SELF at June 30, 2009 (the most recent information available):

Total assets	$209,217,000
Total liabilities	$161,555,000
Net assets	$ 47,662,000
Total revenues	$ 26,645,000
Total expenses	$ 27,701,000
Change in net assets	$ (1,056,000)

10. JOINT POWERS AGREEMENT (Continued)

The relationship between the District and SELF is such that SELF is not a component unit of the District for financial reporting purposes.

11. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations for the year ended June 30, 2010 were as follows:

General Fund:		
Classified salaries	$	54,926

Budget revisions for expenditures in excess of budgeted amounts were not made at the end of the fiscal year.

12. CONTINGENCIES

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

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

13. SUBSEQUENT EVENTS

On November 18, 2010 the District issued $11,500,000 of Tax and Revenue Anticipation Notes (TRANs), maturing on June 1, 2011 with an interest rate of 1.50% to provide for anticipated cash flow deficits from operations. The TRANs are a general obligation of the District and are payable from revenues and cash receipts generated by the District during the fiscal year ended June 30, 2011.

The District has reviewed all events occurring from June 30, 2010 through January 12, 2011, the date the financial statements were issued. No other subsequent events occurred requiring accrual or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

BERKELEY UNIFIED SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2010

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Revenue limit sources:				
State apportionment	$ 21,110,290	$ 19,490,547	$ 19,133,594	$ (356,953)
Local sources	25,677,673	25,677,673	26,084,535	406,862
Total revenue limit	46,787,963	45,168,220	45,218,129	49,909
Federal sources	8,453,143	9,198,373	7,578,635	(1,619,738)
Other state sources	20,624,595	21,915,022	22,274,801	359,779
Other local sources	36,949,368	38,096,954	38,087,827	(9,127)
Total revenues	112,815,069	114,378,569	113,159,392	(1,219,177)
Expenditures:				
Certificated salaries	45,882,761	46,300,830	45,821,448	479,382
Classified salaries	20,328,540	20,331,196	20,386,122	(54,926)
Employee benefits	20,958,747	20,495,096	20,193,923	301,173
Books and supplies	5,424,083	7,497,962	3,383,571	4,114,391
Contract services and operating expenditures	17,793,159	20,413,782	18,597,625	1,816,157
Capital outlay	191,459	227,938	211,432	16,506
Total expenditures	110,578,749	115,266,804	108,594,121	6,672,683
Excess (deficiency) of revenues over (under) expenditures	2,236,320	(888,235)	4,565,271	5,453,506
Other financing sources (uses):				
Operating transfers in	715,699	659,497	645,841	(13,656)
Operating transfers out	(3,863,785)	(3,863,785)	(3,855,309)	8,476
Total other financing sources (uses)	(3,148,086)	(3,204,288)	(3,209,468)	(5,180)
Net change in fund balance	(911,766)	(4,092,523)	1,355,803	5,448,326
Fund balance, July 1, 2009	13,136,807	13,136,807	13,136,807	
Fund balance, June 30, 2010	$ 12,225,041	$ 9,044,284	$ 14,492,610	$ 5,448,326

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

BERKELEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2010

Schedule of Funding Progress

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2009	May 1, 2009	$ -	$ 16,344,627	$ 16,344,627	0%	$ 77,894,196	20.98%
6/30/2010	May 1, 2009	$ -	$ 16,344,627	$ 16,344,627	0%	$ 77,894,196	20.98%

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

SUPPLEMENTARY INFORMATION

BERKELEY UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2010

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Pupil Trans-portation Equipment Fund	Special Reserve for Other Than Capital Projects Fund	County School Facilities Fund	Tax Override Fund	Total
ASSETS									
Cash in County Treasury	$ (408,505)	$ 1,499,127	$ 1,162,238	$ 389,840	$ 8,065	$ 2,509,314	$ 262,341	$ 61,364	$ 5,483,784
Cash on hand and in banks	65,077	14,989	108,766						188,832
Accounts receivable	419,018	270,126	370,720	630	13	4,053	1,577		1,066,137
Due from other funds	561,035		67,549						628,584
Stores inventory			150,019						150,019
Total assets	$ 636,625	$ 1,784,242	$ 1,859,292	$ 390,470	$ 8,078	$ 2,513,367	$ 263,918	$ 61,364	$ 7,517,356
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	$ 352,994	$ 198,084	$ 54,754				$ 2,153		$ 607,985
Deferred revenue		352,035							352,035
Due to other funds	166,592	319,615	1,128,501						1,614,708
Total liabilities	519,586	869,734	1,183,255				2,153		2,574,728
Fund balances	117,039	914,508	676,037	$ 390,470	$ 8,078	$ 2,513,367	261,765	$ 61,364	4,942,628
Total liabilities and fund balances	$ 636,625	$ 1,784,242	$ 1,859,292	$ 390,470	$ 8,078	$ 2,513,367	$ 263,918	$ 61,364	$ 7,517,356

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

BERKELEY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2010

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Pupil Trans-portation Equipment Fund	Special Reserve for Other Than Capital Projects Fund	County School Facilities Fund	Tax Override Fund	Total
Revenues:									
Revenue limit			$ 876,619						$ 876,619
Federal sources	$ 630,747	$ 1,526,056	1,878,414						4,035,217
Other state sources	168,515	4,824,464	182,902						5,175,881
Other local sources	439,153	480,539	532,758	$ 4,335	$ 557	$ 18,349	$ 1,926		1,477,617
Total revenues	1,238,415	6,831,059	3,470,693	4,335	557	18,349	1,926		11,565,334
Expenditures:									
Certificated salaries	2,244,262	2,052,213							4,296,475
Classified salaries	745,213	1,712,223	1,282,625						3,740,061
Employee benefits	743,193	1,288,269	493,420						2,524,882
Books and supplies	192,748	83,785	1,317,947						1,594,480
Contract services and operating expenditures	267,856	651,033	(378,449)						540,440
Capital outlay		52,256		321,880			550		374,686
Total expenditures	4,193,272	5,839,779	2,715,543	321,880			550		13,071,024
(Deficiency) excess of revenues (under) over expenditures	(2,954,857)	991,280	755,150	(317,545)	557	18,349	1,376		(1,505,690)
Other financing sources (uses):									
Operating transfers in	3,403,309	40,000							3,443,309
Operating transfers out	(160,651)	(312,179)	(173,011)						(645,841)
Total other financing sources (uses)	3,242,658	(272,179)	(173,011)						2,797,468
Net change in fund balances	287,801	719,101	582,139	(317,545)	557	18,349	1,376		1,291,778
Fund balances, July 1, 2009	(170,762)	195,407	93,898	708,015	7,521	2,495,018	$ 260,389	$ 61,364	3,650,850
Fund balances, June 30, 2010	$ 117,039	$ 914,508	$ 676,037	$ 390,470	$ 8,078	$ 2,513,367	$ 261,765	$ 61,364	$ 4,942,628

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

BERKELEY UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2010

Berkeley Unified School District was established in 1879 and is comprised of an area of approximately 19 square miles located in Alameda County. The District was unified in 1936 with the combining of the elementary and high school districts then in existence in the area of the current district boundaries. There were no changes in the District's boundaries in the current year. The District is currently operating eleven elementary schools and three intermediate schools, one high school, one continuation school, and an independent study program. In addition, the District operates an adult school program.

GOVERNING BOARD

Name	Office	Term Expires
Karen Hemphill	President	2010
Beatriz Leyva-Cutler	Vice President	2012
Nancy Riddle	Director	2010
John T. Swlawsky	Director	2012
Shirley Issel	Director	2010

ADMINISTRATION

William Huyett
Superintendent

Javetta Cleveland, CPA
Deputy Superintendent, Business

Neil Smith
Assistant Superintendent, Educational Services

Delia Ruiz
Assistant Superintendent, Human Resources

BERKELEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2010

	Original Second Period Report	Audited Second Period Report	Original Annual Report	Audited Annual Report
Elementary:				
Kindergarten	670	669	670	669
First through Third	1,833	1,822	1,847	1,836
Fourth through Sixth	1,733	1,733	1,730	1,730
Seventh and Eighth	1,157	1,157	1,137	1,137
Opportunity Schools	2	2	2	2
Special Education	77	77	77	77
Subtotal Elementary	5,472	5,460	5,463	5,451
Secondary:				
Regular Classes	3,076	3,076	3,048	3,048
Special Education	73	73	71	71
Compulsory Continuation Education	63	63	60	60
Home and Hospital	9	9	9	9
Subtotal Secondary	3,221	3,221	3,188	3,188
District Totals	8,693	8,681	8,651	8,639

See accompanying notes to supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2010

Grade Level	1986-87 Minutes Require-ment	1982-83 Actual Minutes	2009-10 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	28,875	45,660	180	In Compliance
Grade 1	50,400	42,875	50,970	180	In Compliance
Grade 2	50,400	42,875	50,970	180	In Compliance
Grade 3	50,400	42,875	50,970	180	In Compliance
Grade 4	54,000	46,905	54,480	180	In Compliance
Grade 5	54,000	46,905	54,480	180	In Compliance
Grade 6	54,000	46,905	54,323	180	In Compliance
Grade 7	54,000	46,905	54,323	180	In Compliance
Grade 8	54,000	46,905	54,323	180	In Compliance
Grade 9	64,800	54,560	65,700	180	In Compliance
Grade 10	64,800	54,560	65,700	180	In Compliance
Grade 11	64,800	54,560	65,700	180	In Compliance
Grade 12	64,800	54,560	65,700	180	In Compliance

See accompanying notes to supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

For the Year Ended June 30, 2010

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
	U.S. Department of Education - Passed through California Department of Education		
	NCLB: Title I Cluster:		
84.010	NCLB: Title I, Part A, Basic Grants	14329	$ 1,044,638
84.389	NCLB: ARRA Part A, Basic Grants Low Income and Neglected	15005	222,065
84.010	NCLB: Title I, Part A, Program Improvement LEA Corrective Action	14955	28,038
	Subtotal NCLB: Title I Cluster		1,294,741
	Special Education Cluster:		
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B	13379	1,295,753
84.173	Special Education: IDEA Preschool Grants, Part B, Sec. 619	13430	30,517
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B	13682	52,037
84.027	Special Education: IDEA Local Assistance, Part B, Section 611, Private School ISPs	10115	4,494
84.027	Special Education: IDEA Local Assistance, Part B, Early Intervening Services	10119	243,984
84.391	Special Education: ARRA IDEA Part B, Section 611, Basic Local Assistance	15003	701,981
84.391	Special Education: ARRA IDEA Part B, Section 611, Local Assistance Private School ISPs	10123	4,893
84.391	Special Education: ARRA IDEA Part B, Local Assistance Early Intervening Services	10124	126,119
84.391	Special Education: ARRA IDEA Part B, Section 611, Preschool Local Entitlement	15002	29,629
84.392	Special Education: ARRA IDEA Part B, Section 619, Preschool Grants	15000	22,357
	Subtotal Special Education Cluster		2,511,764
84.318	NCLB: Title II Part D, Education Technology, Competitive Grants	14335	57,762
84.318	NCLB: Title II Part D, Education Technology, Formula Grant	14334	2,769
84.365A	NCLB: Title III, Immigrant Education Program	14346	52,701
84.365	NCLB: Title III, Limited English Proficiency Student Program	10084	107,753
84.287	NCLB: Title IV,Part B, 21st Century Community Centers-Core	14349	184,498

(Continued)

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2010

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
	U.S. Department of Education - Passed through California Department of Education (Continued)		
84.287	NCLB: Title IV, Part B, 21st Century Community Centers-Equitable Access	14765	$ 61,497
84.287	NCLB: Title IV, Part B, 21st Century Community Centers-Assets	14535	172,685
84.287	NCLB: Title IV, Part B, 21st Century Community Centers-Family Literacy	14604	32,868
84.181	SE: IDEA Early Intervention Grants, Part C	23761	8,417
84.048	Vocational & Applied Technology, Secondary	14894	63,271
84.048	Vocational & Applied Technology, Postsecondary	14893	63,093
84.002	AE: Adult Secondary Education	13978	23,813
84.002A	AE: Adult Basic Education & ESL	14508	305,169
84.002A	AE: English Literacy & Civics Education	14109	123,100
84.126A	Department of Rehabilitation: Workability II, Transition Partnership	10006	114,572
84.186	NCLB: Title IV, Part A Drug-Free Schools	14347	69,774
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	217,789
84.298A	NCLB: Title V, Part A, Innovative Education Strategies	14354	4,355
84.196	NCLB: Title X McKinney-Vento Homeless Children Assistance Grants	14332	68,511
84.387	NCLB: ARRA Title X, McKinney-Vento Homeless Assistance	15007	21,088
84.184E	Readiness and Emergency Management for Schools	N/A	63,544
84.215L	Smaller Learning Communities	N/A	197,678
84.394	ARRA: State Fiscal Stabilization Fund	25008	2,322,582
	Total U.S. Department of Education		8,145,794
	U.S. Department of Health and Human Services - Passed through California Department of Education		
93.596	Child Development: Federal General Child Care, & Development	13609	1,224,309
93.575	Child Development: Quality Improvement Activities	13942	1,781
93.778	Department of Health Care Services: Medi-Cal Billing Option	10013	24,194
	Total U.S. Department of Health and Human Services		1,250,284

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2010

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Agriculture - Passed through California Department of Education			
10.558	Child Nutrition: Child Care Food Program	13393	$ 330,641
10.555	Child Nutrition: National School Lunch	13391	2,888,553
	Total U.S. Department of Agriculture		3,219,194
	Total Federal		$ 12,615,272

See accompanying notes to
supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

	Building Fund
June 30, 2010 Unaudited Actual Financial Report Ending Fund Balance	$ 43,665,041
Adjustment for overstatement of accounts payable	626,987
June 30, 2010 audited Financial Statements Ending Fund Balance	$ 44,292,028

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

See accompanying notes to supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2010

	(Budget) 2011	2010	2009	2008
General Fund				
Revenues and other financing sources	$ 110,643,201	$ 113,805,233	$ 111,635,777	$ 110,865,651
Expenditures	110,039,803	108,594,121	112,418,251	107,995,437
Other uses and transfers out	3,624,773	3,855,309	585,955	1,507,214
Total outgo	113,664,576	112,449,430	113,004,206	109,502,651
Change in fund balance	$ (3,021,375)	$ 1,355,803	$ (1,368,429)	$ 1,363,000
Ending fund balance	$ 11,471,235	$ 14,492,610	$ 13,136,807	$ 14,505,236
Available reserves	$ 3,565,038	$ 2,500,484	$ 3,324,259	$ 3,264,699
Designated for economic uncertainties	$ -	$ -	$ -	$ -
Undesignated fund balance	$ 3,565,038	$ 2,500,484	$ 3,324,259	$ 3,264,699
Available reserves as a percentage of total outgo	3.1%	2.2%	3.0%	3.0%
All Funds				
Total long-term liabilities	$ 206,375,915	$ 216,696,199	$ 227,141,291	$ 216,559,682
Average daily attendance at P-2	8,757	8,681	8,454	8,414

The General Fund fund balance has increased by $1,350,374 over the past three fiscal years. The District projects a decrease of $3,021,375 for the year ending June 30, 2011. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses be maintained. For the year ended June 30, 2010, the District has not met this requirement.

The District has incurred operating surpluses in two of the past three years, and anticipates incurring an operating deficit during the 2010-2011 fiscal year.

Total long-term liabilities have increased by $136,517 over the past two years.

Average daily attendance has increased by 267 over the past two years. The District anticipates an increase of 76 ADA during the fiscal year ending June 30, 2011.

See accompanying notes to supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2010

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report

Currently, there are no charter schools operating under the District.

See accompanying notes to supplementary information.

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with OMB Circular A-133 requirements, and is presented on the modified accrual basis of accounting.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2010.

Description	CFDA Number	Amount
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		$ 11,613,852
Add: State Fiscal Stabilization Funds spent from prior year awards	84.394	70,076
Less: Unreimbursed Child Nutrition expenditures	10.555	1,067,948
Medi-Cal Billing Funds not spent	93.778	(136,604)
Total Schedule of Expenditure of Federal Awards		$ 12,615,272

1. PURPOSE OF SCHEDULES (Continued)

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2010-2011 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2010, the District did not adopt such a program.

APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX B

FORM OF FINAL OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

November 1, 2011

Board of Education of the
Berkeley Unified School District
2134 Martin Luther King, Jr. Way
Berkeley, California 94704-1180

OPINION: $59,865,000* Berkeley Unified School District (Alameda County, California) 2011 General Obligation Refunding Bonds

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Members of the Board of Education:

We have acted as bond counsel to the Berkeley Unified School District (the "District") in connection with the issuance by the District of $59,865,000* principal amount of Berkeley Unified School District (Alameda County, California) 2011 General Obligation Refunding Bonds (the "Bonds"), pursuant to Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), a resolution adopted by the Board of Education of the District on September 14, 2011 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The District is duly created and validly existing as a school district with the power to cause the Board to issue the Bonds in its name and to perform its obligations under the Resolutions and the Bonds.

2. The Resolution has been duly adopted by the District and creates a valid first lien on the funds pledged under the Board Resolution for the security of the Bonds.

3. The Bonds have been duly authorized, executed and delivered by the Board and the Bonds are valid and binding general obligations of the District. The Board is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Bonds. The Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

5. Subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such District covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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*Preliminary, subject to change.

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

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to the bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the District and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX C

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the BERKELEY UNIFIED SCHOOL DISTRICT (the "District") in connection with the issuance by the District of its $59,865,000* Berkeley Unified School District (Alameda County, California) 2011 General Obligation Refunding Bonds. (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on September 14, 2011 (the "Resolution"). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

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

"*Beneficial Owner*" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

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

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Participating Underwriter*" shall mean the original underwriter of the Bonds, required to comply with the Rule in connection with offering of the Bonds.

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

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2010-11 Fiscal Year, which is due not later than March 31, 2012, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent

*Preliminary, subject to change.

with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance*. If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Bonds, as follows:

(i) Adopted budget of the District for the most recent fiscal year, or a summary thereof;
(ii) Average daily attendance figures for the most recent fiscal year;
(iii) Outstanding indebtedness and obligations of the District as of the end of the most recent fiscal year;
(iv) Information regarding total assessed valuation of taxable properties within the District, if and to the extent provided to the District by the County; and
(v) Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination (if not the District) to, give notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

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

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

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

(5) Defeasances.

(6) Rating changes.

(7) Tender offers.

(8) Bankruptcy, insolvency, receivership or similar event of the obligated person.

(9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Non-payment related defaults.

(2) Modifications to rights of security holders.

(3) Bond calls.

(4) The release, substitution, or sale of property securing repayment of the securities.

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

(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Resolution.

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

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

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent*. In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

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

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

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners.

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

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

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Paying Agent under the Resolution. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

BERKELEY UNIFIED SCHOOL DISTRICT

By ____

William Huyett
Superintendent

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Berkeley Unified School District

Name of Issue: Berkeley Unified School District (Alameda County, California) 2011 General Obligation Refunding Bond

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Issuer 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: ______________________

BERKELEY UNIFIED SCHOOL DISTRICT, as Dissemination Agent

By ____
Title ______________________________________

cc: Paying Agent