OFFICIAL NOTICE OF SALE

$19,215,000*
ALBANY UNIFIED SCHOOL DISTRICT
(Alameda County, California)
2012 General Obligation Refunding Bonds

NOTICE IS HEREBY GIVEN that *electronic bids only* for the purchase of $19,215,000* aggregate principal amount of Albany Unified School District (Alameda County, California) 2012 General Obligation Refunding Bonds (the "Bonds"), will be received by the Albany Unified School District (the "District") at the time and in the form below specified:

DATE AND TIME: *THURSDAY, MAY 17, 2012, until 9:30 A.M. (Pacific Time).*

SUBMISSION OF BIDS: Bids may be submitted (for receipt not later than the time set forth above) *electronically only* through the I-Deal LLC BiDCOMP/PARITY© system. See "FORM OF BID" herein.

Bidders should be aware that the par amount of the Bonds may be reduced if the refunding of certain maturities of the District's outstanding bonds do not meet its minimum savings goals but in any event may be adjusted to fit the District's refunding requirements. See "ADJUSTMENT OF PRINCIPAL AMOUNTS AND OF MATURITIES" BELOW.

ISSUE; BOOK ENTRY: $19,215,000* consisting of fully registered bonds, without coupons. The Bonds will be dated as of their date of delivery, expected to be May 31, 2012, and will be issued in minimum denominations of $5,000. The Bonds will be issued in a book entry only system with no physical distribution of the Bonds made to the public. The Depository Trust Company, New York, New York ("DTC"), will act as depository for the Bonds which will be immobilized in its custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC, on behalf of the participants in the DTC system and the subsequent beneficial owners of the Bonds.

MATURITIES: The Bonds will mature, or be subject to mandatory sinking fund redemption, on the dates, on the dates and in the amounts, as set forth in the following table. *Each bidder is required to specify in its bid whether, for any particular year, the Bonds will mature or, alternately, be subject to mandatory sinking fund redemption in such year:*

Maturity Date (August 1)	Principal Amount*	Maturity Date Date	Principal Amount*
2012	$1,015,000	2022	$615,000
2013	1,165,000	2023	630,000
2014	1,670,000	2024	650,000
2015	1,680,000	2025	670,000
2016	1,690,000	2026	690,000
2017	1,710,000	2027	715,000
2018	1,540,000	2028	740,000
2019	1,210,000	2029	480,000
2020	915,000	2030	495,000
2021	935,000		

*Preliminary, subject to change.

ADJUSTMENT OF PRINCIPAL AMOUNTS AND OF MATURITIES: The maturity amounts set forth above for the Bonds may be adjusted either upward or downward in order to achieve approximately equal annual savings and to reduce par to eliminate excess proceeds, if any, due to a premium bid after award of the Bonds has been made to the successful bidder. The successful bidder will be notified of the actual principal amounts and maturity schedule relating to the Bonds within 6 hours after the expiration of the time prescribed for the receipt of proposals. Any increase or decrease will be in $5,000 increments of principal amounts. In the event of any such adjustment, no re-bidding or recalculation of the bids submitted will be required or permitted and no successful bid may be withdrawn. The successful bidder will not be permitted to change the interest rates in its bid.

INTEREST: The Bonds shall bear interest, calculated on a 30/360 day basis, at a rate or rates to be fixed upon the sale thereof but not to exceed 12% per annum, payable semiannually on each February 1 and August 1, commencing August 1, 2012.

PAYMENT: Principal of the Bonds will be payable upon surrender at U.S. Bank National Association, San Francisco, California (the "Paying Agent"). Interest on the Bonds will be payable by check or draft mailed by first class mail to the owner at the address listed on the registration books maintained by the Paying Agent for such purpose.

REGISTRATION: The Bonds will be issued as fully registered bonds as to both principal and interest. The Bonds will be issued in the book-entry system of The Depository Trust Company of New York ("DTC"), and the ownership of the Bonds will be registered to the nominee of DTC.

OPTIONAL REDEMPTION: The Bonds maturing on or before August 1, 2022, are non-callable. The Bonds maturing on August 1, 2023, or any time thereafter, are callable for redemption prior to their stated maturity date at the option of the District, as a whole, or in part on or after August 1, 2022 (in such maturities as are designated by the District, or, if the District fails to designate such maturities, on a proportional basis), from any source lawfully available therefor, at a redemption price equal to the principal amount redeemed, plus accrued interest to date of redemption, without premium.

SINKING FUND REDEMPTION: Any bidder may, at its option, specify that one or more maturities of the Bonds will consist of term Bonds which are subject to mandatory sinking fund redemption in consecutive years immediately preceding the maturity thereof, as designated in the bid of such bidder. In the event that the bid of the successful bidder specifies that any maturity of Bonds will be term Bonds, such term Bonds will be subject to mandatory sinking fund redemption on August 1 in each year so designated in the bid, in the respective amounts for such years as set forth above under the heading "MATURITIES," at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

PURPOSE: The Bonds are to be issued by the District and are authorized pursuant to the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code, and the provisions of a resolution of the Board of Education of the District (the "Board") to (a) refund (i) on a current basis, a portion of the outstanding Albany Unified School District General Obligation Bonds, Election of 1993, Series G, (ii) on an advance basis, a portion of the outstanding Albany Unified School District 2004 General Obligation Refunding Bonds, (iii) on a current basis, all outstanding Albany Unified School District 2001 General Obligation Refunding Bonds, and (iv) on an advance basis, a portion of the outstanding Albany Unified School District General Obligation Bonds, Election of 2004, Series A, and (b) pay all necessary legal, financial, engineering and contingent costs in connection therewith.

SECURITY: The Bonds are general obligations of the District. The County Board has the power and is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon without limitation as to rate or amount upon all property within the District subject to taxation (except for certain classes of personal property).

RATING: Moody's Investors Service has assigned the rating of "Aa3" to the Bonds.

TERMS OF SALE

INTEREST RATE: No rate of interest may be bid which exceeds 12% per annum. No Bond shall bear more than one interest rate, and all Bonds of the same maturity shall bear the same rate. Each Bond must bear interest at the rate specified in the bid from its date to its fixed maturity date.

FORM OF BID; MAXIMUM DISCOUNT: All bids must be for not less than all of the Bonds hereby offered for sale and for not less than the aggregate par amount thereof.

To the extent any instructions or directions set forth in BiDCOMP/PARITY© conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about BiDCOMP/PARITY©, bidders may contact KNN Public Finance (the "Financial Advisor") at (510) 839-8200 or BiDCOMP/PARITY© at (212) 404-8102.

THE DISTRICT RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID IS TIMELY AND COMPLETE. NONE OF THE DISTRICT, THE FINANCIAL ADVISOR, OR QUINT & THIMMIG LLP ("BOND COUNSEL") TAKES ANY RESPONSIBILITY FOR INFORMING ANY BIDDER PRIOR TO THE TIME FOR RECEIVING BIDS THAT ITS BID IS INCOMPLETE OR NOT RECEIVED.

EACH BIDDER SUBMITTING AN ELECTRONIC BID UNDERSTANDS AND AGREES BY DOING SO THAT IT IS SOLELY RESPONSIBLE FOR ALL ARRANGEMENTS WITH BiDCOMP/PARITY© AND THAT BiDCOMP/PARITY© IS NOT ACTING AS AN AGENT OF THE DISTRICT. INSTRUCTIONS AND FORMS FOR SUBMITTING ELECTRONIC BIDS MUST BE OBTAINED FROM BiDCOMP/PARITY© AND THE DISTRICT ASSUMES NO RESPONSIBILITY FOR ENSURING OR VERIFYING BIDDER COMPLIANCE WITH THE PROCEDURES OF BiDCOMP/PARITY©. THE DISTRICT SHALL ASSUME THAT ANY BID RECEIVED THROUGH BiDCOMP/PARITY© HAS BEEN MADE BY A DULY AUTHORIZED AGENT OF THE BIDDER.

THE DISTRICT WILL MAKE ITS BEST EFFORTS TO ACCOMMODATE ELECTRONIC BIDS; HOWEVER THE DISTRICT, THE FINANCIAL ADVISOR AND BOND COUNSEL ASSUME NO RESPONSIBILITY FOR ANY ERROR CONTAINED IN ANY BID SUBMITTED ELECTRONICALLY, OR FOR FAILURE OF ANY BID TO BE TRANSMITTED, RECEIVED OR ACCEPTED AT THE OFFICIAL TIME FOR RECEIPT OF BIDS. THE OFFICIAL TIME FOR RECEIPT OF BIDS WILL BE DETERMINED BY THE DISTRICT AND THE DISTRICT SHALL NOT BE REQUIRED TO ACCEPT THE TIME KEPT BY BiDCOMP/PARITY© AS THE OFFICIAL TIME.

BEST BID: The Bonds will be awarded to the responsible bidder or bidders offering to purchase the Bonds at the *lowest true interest cost* to the District. The true interest cost of each bid will be determined on the basis of the present value of the aggregate future semiannual payments resulting from the interest rates specified by the bidder. The present value will be calculated to the dated date of the Bonds (assumed to be May 31, 2012) and will be based on the proposed bid amount (par value less any discount or plus any premium). For the purpose of making such determination, it shall be assumed that any Bond designated as term bonds by the bidder shall be deemed to be payable on the dates and in the amounts as shown under the section entitled “MATURITIES” herein. Each bidder is requested, but not required, to state in his bid the percentage true interest cost to the District, which shall be considered as informative only and shall not be binding on either the bidder or the District. The determination of the best bid by the District’s financial advisor shall be binding and conclusive on all bidders.

RIGHT OF CANCELLATION OF SALE BY DISTRICT: The District reserves the right, in its sole discretion, at any time to cancel the public sale of the Bonds. In such event, the District shall cause notice of cancellation of this invitation for bids and the public sale of the Bonds to be communicated through the *Bond Buyer Wire* as promptly as practicable. However, no failure to publish such notice or any defect or omission therein shall affect the cancellation of the public sale of the Bonds.

RIGHT TO MODIFY OR AMEND: The District reserves the right, in its sole discretion, to modify or amend this official Notice of Sale including, but not limited to, the right to adjust and change the principal amount and principal amortization schedule of the Bonds being offered, however, such modifications or amendments shall be made not later than 9:30 A.M., California time, on the business day prior to the bid opening and communicated through the *Bond Buyer Wire*.

RIGHT OF POSTPONEMENT BY DISTRICT: The District reserves the right, in its sole discretion, to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be communicated through the *Bond Buyer Wire* not later than 9:30 A.M., California time, on the business day prior to any announced date for receipt of bids. If any date is postponed, any alternative sale date will be announced through the *Bond Buyer Wire* at least 24 hours prior to such alternative sale date. On any such alternative sale date, any bidder may submit a bid for the purchase of the Bonds in conformity in all respects with the provisions of this Official Notice of Sale, except for the date of sale and except for the changes announced by through the *Bond Buyer Wire* at the time the sale date and time are announced.

RIGHT OF REJECTION: The District reserves the right, in its sole discretion, to reject any and all bids and to waive any irregularity or informality in any bid except that no bids will be accepted later than 9:30 A.M. on the date set for receipt of bids.

PROMPT AWARD: Pursuant to authority granted by the Board, the Superintendent, or the Superintendent’s designee, will take action awarding the Bonds or rejecting all bids not later than twenty-six (26) hours after the expiration of the time herein prescribed for the receipt of proposals; provided, that the award may be made after the expiration of the specified time if the bidder shall not have given to said Board notice in writing of the withdrawal of such proposal.

PLACE OF DELIVERY; CANCELLATION FOR LATE DELIVERY: It is expected that said Bonds will be delivered to DTC for the account of the successful bidder within twenty (20) days from the date of sale thereof. The successful bidder shall have the right, at his option, to cancel its obligation to purchase the Bonds if the Bonds are not tendered for delivery within sixty (60) days from the date of the sale thereof, and in such event the successful bidder shall be entitled to the return of the deposit accompanying his bid.

GOOD FAITH DEPOSIT: A good faith deposit (“Deposit”) in the form of a certified or cashier’s check or a wire transfer, in the amount of $100,000 payable to the order of the U.S. Bank National Association, as paying agent, must be remitted by the winning bidder within 48 hours after the acceptance of its bid. The Deposit shall be cashed by the Paying Agent on behalf of the District and shall then be applied toward the purchase price of the Bonds. If after the award of the Bonds the successful bidder or bidders fail to complete their purchase on the terms stated in their bid, the Deposit will be retained by the District. No interest on the Deposit will accrue to any bidder.

CHANGE IN TAX EXEMPT STATUS: At any time before the Bonds are tendered for delivery, the successful bidder may disaffirm and withdraw his proposal if the interest received by private holders from Bonds of the same type and character shall be declared to be taxable income under present federal income tax laws, either by a ruling of the Internal Revenue Service or by a decision of any federal court, or shall be declared taxable, or be requited to be taken into account in computing federal income taxes (except alternative minimum taxes and environmental taxes payable by corporations) by any federal income tax law enacted subsequent to the date of this notice.

CLOSING PAPERS; BOND PRINTING: Each proposal will be understood to be conditioned upon the District furnishing to the purchaser, without charge, concurrently with payment for and delivery of the Bonds, the following closing papers, each dated the date of delivery:

(a) The opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, approving the validity of the Bonds and stating that, 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, and interest on the Bonds is exempt from personal income taxes of the State of California. Other tax consequences to holders of the Bonds, if any, are not addressed in the opinion.

(b) A certificate of the District certifying that on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds;

(c) A certificate of the District, signed by officers and representatives of the District, certifying that the officers and representatives have signed the Bonds whether by facsimile or manual signature, and that they were respectively duly authorized to execute the same;

(d) The receipt of the District evidencing the receipt of the purchase price of the Bonds;

(e) A certificate of the District, certifying that there is no known litigation threatened or pending affecting the validity of the Bonds; and

(f) A certificate of the District, signed by an officer of the District, acting in his official capacity, to the effect that at the time of the sale of the Bonds, and at all times subsequent thereto up to and including the time of the delivery of the Bonds, the Official Statement relating to the Bonds did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

CUSIP NUMBERS: It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of the purchase contract. All expenses of printing CUSIP numbers on the Bonds and the CUSIP Service Bureau charge for the assignment of said numbers shall be paid by the successful bidder.

CERTIFICATION OF REOFFERING PRICE: The successful bidder shall be required, as a condition to the issuance of the Bonds, to deliver to the District a certificate, in form and substance satisfactory to Bond Counsel, stating (i) that, as of the date of award, the Bonds were expected to be reoffered in a bona fide public offering, (ii) the initial offering price at which a substantial amount (at least 10%) of each maturity of the Bonds were sold to the public, and (iii) that no Bonds of a single maturity were offered at one price to the general public and at a discount from that price to institutional or other investors.

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION: The successful bidder will be required, pursuant to State law, to pay any fees to the California Debt and Investment Advisory Commission when due.

DTC FEES: All fees due DTC with respect to the Bonds shall be paid by the successful bidder or bidders.

OFFICIAL STATEMENT: The District has caused to be prepared a Preliminary Official Statement describing the Bonds in a form deemed final by the District within the meaning of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, except for certain information which is permitted under said Rule 15c2-12 to be omitted from the Preliminary Official Statement. A copy of the Preliminary Official Statement will be furnished upon request to KNN Public Finance, 1333 Broadway, Suite 1000, Oakland, CA 94612, telephone (510) 839-8200. The District will furnish to the successful bidder within seven business days following the date of award, at no charge, not in excess of 50 copies of the Official Statement for use in connection with any resale of the Bonds.

DISCLOSURE CERTIFICATE: The District will deliver to the purchaser of the Bonds a certificate of an official of the District, dated the date of Bond delivery, stating that as of the date thereof, to the best of the knowledge and belief of said official, the Official Statement does not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and further certifying that the signatory knows of no material adverse change in the condition of the District which would make it unreasonable for the purchaser of the Bonds to rely upon the Official Statement in connection with the resale of the Bonds.

CONTINUING DISCLOSURE: In order to assist bidders in complying with S.E.C. Rule 15c2-12(b)(5), the District will undertake, pursuant to the resolution authorizing issuance of the Bonds and a Continuing Disclosure Certificate, to provide annual reports and notices of certain events. A description of this undertaking is set forth in the preliminary Official Statement and will also be set forth in the final Official Statement.

Dated: May 4, 2012

PRELIMINARY OFFICIAL STATEMENT DATED MAY 4, 2012

NEW ISSUE - FULL BOOK-ENTRY

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

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject to compliance by the District with certain covenants, interest on the Refunding Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the 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 Refunding Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein. See "TAX MATTERS."

$19,215,000*
ALBANY UNIFIED SCHOOL DISTRICT
(Alameda County, California)
2012 General Obligation Refunding Bonds

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

Authority and Purpose. The captioned bonds (the "Refunding Bonds") are being issued by the Albany Unified School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Education of the District adopted on March 20, 2012 (the "Bond Resolution"). The Refunding Bonds are being issued to refund all or some maturities of certain general obligation bonds previously issued by the District, being its 2001 Refunding Bonds, 2004 Refunding Bonds, Series G Bonds (1993 Election) and the Series A Bonds (2004 Election), as more particularly defined herein. See "THE REFUNDING BONDS – Authority For Issuance" and "THE REFINANCING PLAN" herein.

Security. The Refunding Bonds are general obligations of the District, payable solely from ad valorem property taxes levied and collected by Alameda County (the "County"). The County Board of Supervisors is empowered and is obligated to annually levy ad valorem taxes for the payment of interest on, and principal of, the Refunding Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY FOR THE REFUNDING BONDS."

Book-Entry Only. The Refunding Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interests in the Refunding Bonds. See "THE REFUNDING BONDS" and "APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payments. The Refunding Bonds are being issued as current interest bonds. Interest with respect to the Refunding Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2012. Payments of principal of and interest on the Refunding Bonds will be paid by U.S. Bank National Association, San Francisco, California (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants, which will remit such payments to beneficial owners of the Refunding Bonds. See "THE REFUNDING BONDS - Description of the Refunding Bonds."

Redemption. The Refunding Bonds are subject to optional redemption prior to maturity as described in this Official Statement. See "THE REFUNDING BONDS - Redemption."

Bids for the purchase of the Refunding Bonds will be received by the District on Thursday, May 17, 2012, *electronically only*, through the I-Deal LLC BiDCOMP/PARITY© system, until 9:30 A.M., Pacific time. The Refunding Bonds will be sold pursuant to the terms of sale set forth in the Official Notice of Sale for the Refunding Bonds.

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

KNN public finance
A Division of Zions First National Bank

MATURITY SCHEDULE
(See inside cover)

Cover Page. This cover page contains certain information for general reference only. It is not a summary of all the provisions of the Refunding Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Refunding Bonds are offered when, as and if issued, subject to the approval as to their legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel. Certain legal matters also will be passed upon for the District by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. It is anticipated that the Refunding Bonds in definitive form will be available for delivery to Cede & Co., as nominee of The Depository Trust Company, on or about May 31, 2012.

The date of this Official Statement is May ___, 2012.

* Preliminary; subject to change.

MATURITY SCHEDULE*

$19,215,000*
ALBANY UNIFIED SCHOOL DISTRICT
(Alameda County, California)
2012 General Obligation Refunding Bonds

Maturity (August 1)	Principal Amount*	Interest Rate	Yield	Price	CUSIP†
2012	$1,015,000				
2013	1,165,000				
2014	1,670,000				
2015	1,680,000				
2016	1,690,000				
2017	1,710,000				
2018	1,540,000				
2019	1,210,000				
2020	915,000				
2021	935,000				
2022	615,000				
2023	630,000				
2024	650,000				
2025	670,000				
2026	690,000				
2027	715,000				
2028	740,000				
2029	480,000				
2030	495,000				

**Preliminary' subject to change.*
† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Companies, Inc. Neither the District nor the Purchaser is responsible for the accuracy of such data.

ALBANY UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Paul Black, *President*
Jonathan Knight, *Vice President*
Dr. Patricia Low, *Member*
Allan Maris, *Member*
Ronald Rosenbaum, *Member*

DISTRICT ADMINISTRATION

Marla Stephenson, *Superintendent*
Laurie Harden, *Associate Superintendent, Business Services*

PROFESSIONAL SERVICES

FINANCIAL ADVISOR AND DISSEMINATION AGENT

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

BOND COUNSEL

Quint & Thimmig, LLP
San Francisco, California

DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

BOND REGISTRAR, TRANSFER AGENT, PAYING AGENT AND ESCROW AGENT

U.S. Bank National Association
San Francisco, California

VERIFICATION AGENT

Causey Demgen & Moore Inc.
Denver, Colorado

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to”, “will continue”, “is anticipated”, “estimate”, “project,” “forecast”, “expect”, “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof.

Stabilization of and Changes to Offering Prices. The Purchaser may overallot or take other steps that stabilize or maintain the market prices of the Refunding Bonds at levels above that which might otherwise prevail in the open market. If commenced, the Purchaser may discontinue such market stabilization at any time. The Purchaser may offer and sell the Refunding Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Purchaser .

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

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

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

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

$19,215,000*
ALBANY UNIFIED SCHOOL DISTRICT
(Alameda County, California)
2012 General Obligation Refunding Bonds

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the Refunding Bonds captioned above (the **"Refunding Bonds"**) by the Albany Unified School District (the "**District**").

INTRODUCTION

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

The District. The District serves the City of Albany (the **"City"**), which is located in Alameda County (the **"County"**) on the eastern shore of the San Francisco Bay, bordering the City of Berkeley to the south and east, and the cities of El Cerrito and Richmond to the north. The District's area is coterminous with the City, and provides educational (kindergarten through grade twelve) services and operates 3 elementary schools, 1 middle school, one comprehensive high school and one alternative high school. Enrollment in the District is 3,803 students in fiscal year 2011-12. For more information regarding assessed values and property ownership in the District, see information under the heading "PROPERTY TAXATION." For more information regarding the District the District generally and its finances, see Appendix B attached hereto. See also Appendix C hereto for demographic and other statistical information regarding the City and the County.

Purpose. The Refunding Bonds are being issued by the District to refund all or a portion of four prior series of general obligation bonds as described herein under the heading "THE REFINANCING PLAN."

Authority for Issuance of the Refunding Bonds. The Refunding Bonds will be issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "**Bond Law**") and under a resolution adopted by the Board of Trustees of the District on March 20, 2012 (the "**Bond Resolution**"). See "THE REFUNDING BONDS - Authority for Issuance" herein.

**Preliminary, subject to change.*

Payment and Registration of the Refunding Bonds. The Refunding Bonds are being issued as current interest bonds. The Refunding Bonds will be dated their date of original issuance and delivery (the "**Dated Date**") and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple of $5,000, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described below. Beneficial Owners will not be entitled to receive physical delivery of the Refunding Bonds. See "THE REFUNDING BONDS" and "APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Interest on the Refunding Bonds accrues from the Dated Date and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2012. See "THE REFUNDING BONDS - Description of the Refunding Bonds."

Redemption. The Refunding Bonds are subject to redemption prior to their maturity as described in "THE REFUNDING BONDS - Redemption."

Security and Sources of Payment for the Refunding Bonds. The Refunding Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Refunding Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). See "SECURITY FOR THE REFUNDING BONDS."

The District has other series of general obligation bonds that are payable from *ad valorem* taxes levied on taxable property in the District. For a schedule of the general obligation bonds issued by the District, see "DEBT SERVICE SCHEDULES" and Appendix B hereto under the heading "DISTRICT FINANCIAL INFORMATION – General Long Term Debt."

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Refunding Bonds are available from the District. The District may impose a charge for copying, mailing and handling.

END OF INTRODUCTION

THE REFINANCING PLAN

The Refunding Bonds are being issued to refund all or a portion of four prior series of general obligation bonds which have been issued by the District, and to pay costs of issuance of the Refunding Bonds. The detailed financing plan is set forth below.

Prior Bonds Authorized

Election of 1993. At an election held in the District on March 2, 1993, District voters authorized the issuance of $31.6 million in general obligation bonds by a requisite two-thirds vote (the **"1993 Authorization"**). Pursuant to the 1993 Authorization, the District caused the issuance of multiple series' of bonds, including Series A, Series B and Series C, which were subsequently refunded with the issuance of 2001 General Obligation Refunding Bonds issued on October 18, 2001 in the original principal amount of $11,390,000 (the **"2001 Refunding Bonds"**), of which $5,565,000 is currently outstanding.

In addition, pursuant to the 1993 Authorization, the District caused the issuance of its Series D Bonds in the original principal amount of $5,000,000, which were subsequently refunded with the issuance of 2004 General Obligation Refunding Bonds in the original principal amount of $4,300,000 (the **"2004 Refunding Bonds"**), of which $2,905,000 is currently outstanding, and its Series G Bonds in the original principal amount of $4,600,000 (the **"Series G Bonds (1993 Election)"**), of which $3,785,000 principal amount is outstanding as of the date hereof.

Election of 2004. At an election held in the District on November 2, 2004, District voters authorized the issuance of $13 million in general obligation bonds by the requisite vote of at least 55 percent (the **"2004 Authorization"**). Pursuant to the 2004 Authorization, the District caused the issuance of General Obligation Bonds, Election of 2004, Series A in the original principal amount of $7,500,000 (the **"Series A Bonds (2004 Election)"**), of which $7,045,000 is outstanding as of this date.

The 2001 Refunding Bonds, the 2004 Refunding Bonds, the Series G Bonds (1993 Election) and the Series A Bonds (2004 Election) are referred to herein collectively as the **"Prior Bonds"**.

Refunded Bonds. The Refunding Bonds are being issued by the District to refund certain maturities of the Prior Bonds (being the **"Refunded Bonds"**), as identified in the following tables.

ALBANY UNIFIED DISTRICT
Identification of Refunded 2001 Refunding Bonds*

Maturities to be Refunded	CUSIP†	Principal Amount Redeemed	Redemption Date[(1)]	Redemption Price (% of Par Amount Redeemed)
8/1/2012	012104JA4	$685,000	6/18/2012	100.0%
8/1/2013	012104JB2	710,000	6/18/2012	100.0
8/1/2014	012104JC0	745,000	6/18/2012	100.0
8/1/2015	012104JD8	775,000	6/18/2012	100.0
8/1/2016	012104JE6	810,000	6/18/2012	100.0
8/1/2017	012104JF3	845,000	6/18/2012	100.0
8/1/2018	012104JG1	670,000	6/18/2012	100.0
8/1/2019	012104JH9	325,000	6/18/2012	100.0
TOTAL		$5,565,000		

**Preliminary; subject to change.*
(1) The 2001 Refunding Bonds are subject to optional redemption on any date following at least 30 days notice to the owners thereof.
† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Companies, Inc. The District is not responsible for the accuracy of such data.

ALBANY UNIFIED DISTRICT
Identification of Refunded 2004 Refunding Bonds*

Maturities to be Refunded*	CUSIP†	Principal Amount Redeemed	Redemption Date	Redemption Price (% of Par Amount Redeemed)
8/1/2014	012104KQ7	$260,000	8/1/2013	100.0%
8/1/2015	012104KR5	270,000	8/1/2013	100.0
8/1/2016	012104KS3	280,000	8/1/2013	100.0
8/1/2017	012104KT1	295,000	8/1/2013	100.0
8/1/2018	012104KU8	310,000	8/1/2013	100.0
8/1/2019	012104KV6	320,000	8/1/2013	100.0
8/1/2021	012104KW4	685,000	8/1/2013	100.0
TOTAL		$2,420,000		

**Preliminary; subject to change. The 2004 Refunding Bonds maturing on August 1, 2012 and August 1, 2013 are not expected to be refunded with the proceeds of the Refunding Bonds.*
† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Companies, Inc. The District is not responsible for the accuracy of such data.

ALBANY UNIFIED DISTRICT
Identification of Refunded Series G Bonds (1993 Election)*

Maturities to be Refunded*	CUSIP†	Principal Amount Redeemed	Redemption Date	Redemption Price (% of Par Amount Redeemed)
8/1/2013	012104JS5	$165,000	8/1/2012	101.0%
8/1/2014	012104JT3	170,000	8/1/2012	101.0
8/1/2015	012104JU0	180,000	8/1/2012	101.0
8/1/2016	012104JV8	185,000	8/1/2012	101.0
8/1/2017	012104JW6	190,000	8/1/2012	101.0
8/1/2018	012104JX4	200,000	8/1/2012	101.0
8/1/2019	012104JY2	210,000	8/1/2012	101.0
8/1/2020	012104JZ9	215,000	8/1/2012	101.0
8/1/2021	012104KA2	225,000	8/1/2012	101.0
8/1/2022	012104KB0	235,000	8/1/2012	101.0
8/1/2024	012104KC8	500,000	8/1/2012	101.0
8/1/2028	012104KD6	1,150,000	8/1/2012	101.0
TOTAL		$3,625,000		

**Preliminary; subject to change. The Series G Bonds (1993 Election) maturing on August 1, 2012 are not expected to be refunded with the proceeds of the Refunding Bonds.*
† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Companies, Inc. The District is not responsible for the accuracy of such data.

ALBANY UNIFIED DISTRICT
Identification of Refunded Series A Bonds (2004 Election)*

Maturities to be Refunded*	CUSIP†	Principal Amount Redeemed	Redemption Date	Redemption Price (% of Par Amount Redeemed)
8/1/2014	012104LF0	$275,000	8/1/2013	100.0%
8/1/2015	012104LG8	285,000	8/1/2013	100.0
8/1/2016	012104LH6	295,000	8/1/2013	100.0
8/1/2017	012104LJ2	310,000	8/1/2013	100.0
8/1/2018	012104LK9	320,000	8/1/2013	100.0
8/1/2019	012104LL7	330,000	8/1/2013	100.0
8/1/2020	012104LM5	345,000	8/1/2013	100.0
8/1/2021	012104LN3	360,000	8/1/2013	100.0
8/1/2022	012104LP8	375,000	8/1/2013	100.0
8/1/2023	012104LQ6	390,000	8/1/2013	100.0
8/1/2024	012104LR4	405,000	8/1/2013	100.0
8/1/2025	012104LS2	420,000	8/1/2013	100.0
8/1/2027	012104LT0	900,000	8/1/2013	100.0
8/1/2030	012104LU7	1,530,000	8/1/2013	100.0
TOTAL		$6,540,000		

**Preliminary; subject to change. The Series A Bonds (2004 Election) maturing on August 1, 2012 and August 1, 2013 are not expected to be refunded with the proceeds of the Refunding Bonds.*
† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Companies, Inc. The District is not responsible for the accuracy of such data.

Escrow Fund. The District will deliver a portion of the proceeds of the Refunding Bonds to U.S. Bank National Association, as escrow agent (the "**Escrow Bank**"), for deposit in four separate escrow funds (each, an "**Escrow Fund**" and collectively, the **"Escrow Funds"**) established under four separate Escrow Deposit and Trust Agreements (each, an "**Escrow**

Agreement” and collectively, the **“Escrow Agreements”**), entered into by and between the District and the Escrow Bank.

On the Closing Date, the Escrow Agent will invest funds on deposit in each respective Escrow Fund in federal securities, and will apply such funds to pay interest due on the Refunded Bonds through and including the date the Refunded Bonds will be redeemed (as set forth in the respective tables above), at a price equal to the principal amount thereof, plus the redemption premium identified above.

Sufficiency of the deposits in the Escrow Funds for such purposes will be verified by Causey Demgen & Moore Inc., certified public accountants, Denver, Colorado (the **“Verification Agent”**). See “ESCROW VERIFICATION” herein.

The amounts held by the Escrow Bank in the Escrow Funds are pledged solely to the payment of the respective Refunded Bonds. The funds deposited in the Escrow Funds will not be available for the payment of debt service with respect to the Refunding Bonds.

SOURCES AND USES OF FUNDS

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

Sources of Funds
Principal Amount of Refunding Bonds
Total Sources

Uses of Funds
Escrow Fund - 2001 Refunding Bonds
Escrow Fund - 2004 Refunding Bonds
Escrow Fund - Series G Bonds (1993 Election)
Escrow Fund - Series A Bonds (2004 Election)
Costs of Issuance*
Total Uses

**All estimated costs of issuance including, but not limited to, Purchaser’s discount, printing costs and fees of Bond Counsel, Disclosure Counsel, the Financial Advisor, Escrow Bank, verification agent and the rating agency.*

THE REFUNDING BONDS

Authority for Issuance

The Refunding Bonds will be issued under the Bond Law and the Bond Resolution.

Description of the Refunding Bonds

Book-Entry Form. The Refunding Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"). Purchasers of the Refunding Bonds (the "**Beneficial Owners**") will not receive physical certificates representing their interest in the Refunding Bonds. Payments of principal of and interest on the Refunding Bonds will be paid by U.S. Bank National Association, as agent of the Treasurer and Tax Collector of Alameda County (the "**Paying Agent**") to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Refunding Bonds.

As long as DTC's book-entry method is used for the Refunding Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Refunding Bonds called for prepayment or of any other action premised on such notice. See "APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

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

Principal and Interest Payments. The Refunding Bonds will be dated the Dated Date and will bear interest payable semiannually each February 1 and August 1 (each, an "**Interest Payment Date**"), commencing August 1, 2012, at the interest rates shown on the inside front cover page of this Official Statement. The Refunding Bonds will mature on August 1 in each of the years and in the principal amounts shown on the inside front cover page of this Official Statement. Interest on the Refunding Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond authenticated on or before July 15, 2012, shall bear interest from the date of the Refunding Bonds. Each Bond authenticated during the period between the 15th day of the month preceding any Interest Payment Date (the "**Record Date**") and that Interest Payment Date shall bear interest from that Interest Payment Date. Any other Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication. If a Payment Date does not fall on a business day, the interest, principal or redemption payment due on such Payment Date will be paid on the next business day. The Refunding Bonds will be issued in the denomination of $5,000 principal amount each or any integral multiple thereof.

See the maturity schedules on the inside cover page of this Official Statement and "DEBT SERVICE SCHEDULES" herein.

Redemption

Optional Redemption. The Refunding Bonds maturing on or before August 1, 2022 are not subject to redemption prior to their respective maturity dates. The Refunding Bonds maturing on or after August 1, 2023, are subject to redemption prior to their respective maturity dates, from moneys provided at the option of the District, as a whole, or in part on or after August 1, 2022 (in such maturities as are designated by the District, or, if the District fails to designate such maturities, on a proportional basis), from any source lawfully available therefor, by payment of a redemption price equal to the principal amount redeemed, plus accrued interest to the date of redemption, without premium.

Selection of Refunding Bonds for Redemption. Whenever provision is made for the redemption of Refunding Bonds of more than one maturity, the Refunding Bonds to be redeemed shall be selected by the District evidenced by a written request of the District filed with the Paying Agent or, absent such selection by the District, on a *pro rata* basis among the maturities subject to redemption; and in each case, the Paying Agent shall select the Refunding Bonds to be redeemed within any maturity by lot in any manner which the Paying Agent in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Refunding Bonds shall be deemed to be comprised of separate $5,000 portions and such portions shall be treated as separate Bonds which may be separately redeemed.

Notice of Redemption. The Paying Agent on behalf and at the expense of the District shall mail (by first class mail) notice of any redemption to: (i) the respective owners of any Refunding Bonds designated for redemption, at least thirty (30) but not more than sixty (60) days prior to the redemption date, at their respective addresses appearing on the Bond Register, and (ii) the Securities Depositories and to one or more Information Services, at least thirty (30) but not more than sixty (60) days prior to the redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Refunding Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the bond numbers and the maturity or maturities (in the event of redemption of all of the Refunding Bonds of such maturity or maturities in whole) of the Refunding Bonds to be redeemed, and shall require that such Refunding Bonds be then surrendered at the office of the Paying Agent for redemption at the redemption price, giving notice also that further interest on such Refunding Bonds will not accrue from and after the redemption date.

Partial Redemption. In the event only a portion of any Refunding Bond is called for redemption, then upon surrender of such Refunding Bond the District shall execute and the Paying Agent shall authenticate and deliver to the Owner thereof, at the expense of the District, a new Refunding Bond or Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Refunding Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Refunding Bonds so called for redemption shall have been duly provided, such Refunding Bonds so called shall cease to be entitled to any benefit under the Bond Resolution other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. All Refunding Bonds redeemed shall be canceled and shall be destroyed by the Paying Agent.

Right to Rescind Notice of Redemption. The District has the right to rescind any notice of the optional redemption of Refunding Bonds by written notice to the Paying Agent on or prior to the dated fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Refunding Bonds then called for redemption. The District and the Paying Agent shall have no liability to the Refunding Bond owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent, except that the time period for giving the original notice of redemption shall not apply to any notice of rescission thereof.

Registration, Transfer and Exchange of Bonds

If the book-entry system as described above and in Appendix F is no longer used with respect to the Refunding Bonds, the following provisions will govern the registration, transfer, and exchange of the Refunding Bonds.

Registration Books. The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Refunding Bonds (the "**Registration Books**"), which will at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the Refunding Bonds.

Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the principal office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

Whenever any Bond or Bonds are surrendered for transfer, the District will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds, for like aggregate principal amount. No transfers will be required to be made (a) 15 days prior to a date established for selection of Bonds for redemption and (b) with respect to a Bond that has been selected for redemption.

Exchange. Bonds may be exchanged at the principal office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The District may charge a reasonable sum for each new Bond issued upon any exchange. No exchanges will be required to be made (a) 15 days prior to a date established for selection of Bonds for redemption and (b) with respect to a Bond that has been selected for redemption.

Defeasance

The Refunding Bonds may be paid by the District, in whole or in part, in any one or more of the following ways:

(a) by paying or causing to be paid the principal or redemption price of and interest on such Refunding Bonds, as and when the same become due and payable;

(b) by depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Refunding Bonds; or

(c) by delivering such Refunding Bonds to the Paying Agent for cancellation by it.

Whenever in the Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Refunding Bonds, the money or securities so to be deposited or held may be held by the Paying Agent or by any other fiduciary. Such money or securities may include money or securities held by the Paying Agent in the funds and accounts established under the Bond Resolution and will be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Refunding Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Refunding Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Refunding Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Refunding Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Bond Resolution or provision satisfactory to the Paying Agent has been made for the giving of such notice.

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described above) to pay or redeem any outstanding Refunding Bond (whether upon or prior to its maturity or the redemption date of such Refunding Bond), then all liability of the County and the District in respect of such Refunding Bond will cease and be completely discharged, except only that thereafter the owner thereof will be entitled only to payment of the principal of and interest on such Refunding Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent for such payment.

"Federal Securities" means United States Treasury notes, bonds, bills or certificates of indebtedness or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

DEBT SERVICE SCHEDULES

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

ALBANY UNIFIED SCHOOL DISTRICT
Refunding Bonds Debt Service Schedule

Date	Principal	Interest	Annual Total
8/1/12			
2/1/13			
8/1/13			
2/1/14			
8/1/14			
2/1/15			
8/1/15			
2/1/16			
8/1/16			
2/1/17			
8/1/17			
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2/1/25			
8/1/25			
2/1/26			
8/1/26			
2/1/27			
8/1/27			
2/1/28			
8/1/28			
2/1/29			
8/1/29			
2/1/30			
8/1/30			
Total			

Aggregate General Obligation Bond Debt Service Schedule. The following table shows the aggregate debt service schedule with respect to all of the District's outstanding general obligation bonds, assuming the Refunded Prior Bonds have been refunded as described in "THE REFINANCING PLAN" above, and assuming no optional redemptions. See Appendix B hereto under the heading "DISTRICT FINANCIAL INFORMATION – General Long-Term Debt."

ALBANY UNIFIED SCHOOL DISTRICT
Combined Annual Debt Service Schedule*
General Obligation Bonds

	Election of 1993				Election of 2004		Election of 2008		
Period Ending (Aug. 1)	2001 Refunding*	Series G*	2004 Refunding*	2009 Refunding	Series A*	Series B	Series A*	2012 Refunding Bonds	Aggregate Annual Debt Service
2012	$807,170.00	$238,040.63	$303,065.00	$289,425.00	$390,728.75	$350,074.38	$282,108.75		
2013	927,282.50	316,281.26	361,530.00	548,950.00	542,270.00	462,223.76	564,217.50		
2014	933,172.50	315,918.76	366,730.00	723,750.00	547,520.00	383,748.76	564,217.50		
2015	931,510.00	319,968.76	366,330.00	840,050.00	547,620.00	378,848.76	564,217.50		
2016	932,410.00	318,443.76	365,530.00	974,175.00	547,075.00	368,673.76	564,217.50		
2017	930,960.00	316,043.76	369,050.00	1,091,100.00	550,865.00	368,498.76	564,217.50		
2018	717,090.00	318,443.76	371,660.00	1,426,275.00	548,930.00	370,113.76	564,217.50		
2019	340,600.00	320,443.76	368,330.00	1,554,575.00	546,450.00	366,503.76	564,217.50		
2020	-	317,043.76	369,250.00	1,034,550.00	548,250.00	367,683.76	564,217.50		
2021	-	318,175.00	367,500.00	-	549,450.00	368,333.76	1,949,217.50		
2022	-	318,612.50	-	-	549,870.00	368,558.76	1,954,192.50		
2023	-	318,625.00	-	-	549,495.00	368,238.76	1,692,992.50		
2024	-	317,906.26	-	-	548,310.00	367,488.76	1,675,805.00		
2025	-	321,750.00	-	-	546,300.00	366,178.76	1,746,805.00		
2026	-	319,600.00	-	-	548,450.00	369,433.76	1,530,805.00		
2027	-	322,000.00	-	-	549,090.00	366,965.00	1,620,080.00		
2028	-	318,725.00	-	-	553,850.00	368,985.00	-		
2029	-	-	-	-	557,025.00	370,345.00	-		
2030	-	-	-	-	559,075.00	365,882.50	-		
2031	-	-	-	-	-	370,975.00	-		
Total:	$6,520,195.00	$5,336,021.97	$3,608,975.00	$8,482,850.00	$10,280,623.75	$7,467,754.52	$16,965,746.25		

**Represents debt service prior to the issuance of the Refunding Bonds. Following the sale of the Refunding Bonds and the identification of the bonds to be refunded, the remaining debt service (if any) on such prior bonds will be identified in the table above, together with debt service on the Refunding Bonds.*

SECURITY FOR THE REFUNDING BONDS

Ad Valorem Taxes

Bonds Payable from Ad Valorem Property Taxes. The Refunding Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Refunding Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates).

Other Bonds Payable from Ad Valorem Property Taxes. The District has other issues of general obligation bonds outstanding, as described in Appendix B under the heading "Long-Term Debt". The Refunding Bonds and such other general obligation bond indebtedness, are all payable from *ad valorem* taxes on a parity basis.

Furthermore, in addition to the general obligation bonds issued by the District, there is other debt issued by entities with jurisdiction in the District, which is payable from *ad valorem* taxes levied on parcels in the District. See "PROPERTY TAXATION – Tax Rates" and "- Direct and Overlapping Debt" below.

Levy and Collection. The County will levy and collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into a debt service fund for the Refunding Bonds, which is maintained by the County and which is irrevocably pledged for the payment of principal of and interest on the Refunding Bonds when due.

District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property. As described below, the County has not adopted the Teeter Plan so secured tax revenues reflect the county-wide delinquency rates.

Annual Tax Rates. The amount of the annual *ad valorem* tax levied by the County to repay the Refunding Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Refunding Bonds. Fluctuations in the annual debt service on the Refunding Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate.

Interest and Sinking Fund

The Bond Resolution provides that the County has previously established an Interest and Sinking Fund of the District (the "**Interest and Sinking Fund**"), and directs the proceeds of the *ad valorem* tax levy securing the Refunding Bonds to be deposited in such Interest and Sinking Fund. The Interest and Sinking Fund is pledged for the payment of the principal of and interest and premium (if any) on the Refunding Bonds when and as the same become due. The County will transfer amounts in the Interest and Sinking Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Refunding Bonds as the same becomes due and payable.

Not a County Obligation

The Refunding Bonds are payable solely from the proceeds of an *ad valorem* tax levied and collected by the County, for the payment of principal and interest on the Refunding Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Refunding Bonds, the Refunding Bonds are not a debt of the County.

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing state assessed public utilities' property and property, the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization ("**SBE**") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property", a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Assessed Valuation

Assessed Valuation History. The table below shows a six-year history of the District's assessed valuation.

ALBANY UNIFIED SCHOOL DISTRICT
Assessed Valuations of All Taxable Property
Fiscal Years 2006-07 to 2011-12

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2006-07	$1,613,130,018	$323,575	$26,408,175	$1,639,861,768	--
2007-08	1,720,225,511	59,760	29,619,932	1,749,905,203	6.71
2008-09	1,803,120,376	59,760	26,601,236	1,829,781,372	4.56
2009-10	1,844,046,613	59,760	27,753,561	1,871,859,934	2.30
2010-11	1,863,228,672	56,096	27,068,482	1,890,353,250	0.99
2011-12	1,891,372,998	56,096	26,201,215	1,917,630,309	1.44

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. Over 87 percent of the District assessed value is attributable to properties that are used for residential purposes, which account for over 94 percent of all parcels in the District. The following table shows the land use of property in the District, as measured by assessed valuation and the number of parcels for fiscal year 2011-12.

ALBANY UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2011-12

	2011-12 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial	$176,464,274	9.33%	259	4.67%
Vacant Commercial	1,125,511	0.06	10	0.18
Industrial	11,006,580	0.58	10	0.18
Vacant Industrial	681,784	0.04	2	0.04
Recreational	51,519,826	2.72	8	0.14
Subtotal Non-Residential	$240,797,975	12.73%	289	5.21%
Residential:				
Single Family Residence	$1,211,913,441	64.08%	3,728	67.27%
Condominium/Townhouse	252,161,313	13.33	1,107	19.97
2-4 Residential Units	100,810,876	5.33	314	5.67
5+ Residential Units/Apartments	83,177,231	4.40	92	1.66
Vacant Residential	2,512,162	0.13	12	0.22
Subtotal Residential	$1,650,575,023	87.27%	5,253	94.79%
Total	$1,891,372,998	100.00%	5,542	100.00%

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

Assessed Valuation of Single Family Residential Parcels. The following table shows a breakdown of the assessed valuations of improved single-family residential parcels in the District, for fiscal year 2011-12.

ALBANY UNIFIED SCHOOL DISTRICT
Per Parcel 2011-12 Assessed Valuation
of Single Family Homes

	No. of Parcels	2011-12 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	3,728	$1,211,913,441	$325,084	$300,833

2011-12 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	241	6.465%	6.465%	$ 10,330,312	0.852%	0.852%
$50,000 - $99,999	570	15.290	21.754	37,370,708	3.084	3.936
$100,000 - $149,999	251	6.733	28.487	31,420,557	2.593	6.529
$150,000 - $199,999	226	6.062	34.549	39,830,160	3.287	9.815
$200,000 - $249,999	257	6.894	41.443	57,630,946	4.755	14.571
$250,000 - $299,999	313	8.396	49.839	86,104,715	7.105	21.675
$300,000 - $349,999	276	7.403	57.242	89,462,986	7.382	29.057
$350,000 - $399,999	263	7.055	64.297	98,548,816	8.132	37.189
$400,000 - $449,999	211	5.660	69.957	89,077,888	7.350	44.539
$450,000 - $499,999	229	6.143	76.100	108,619,658	8.963	53.502
$500,000 - $549,999	239	6.411	82.511	125,049,528	10.318	63.820
$550,000 - $599,999	189	5.070	87.580	107,899,806	8.903	72.724
$600,000 - $649,999	144	3.863	91.443	89,808,200	7.410	80.134
$650,000 - $699,999	114	3.058	94.501	76,572,225	6.318	86.452
$700,000 - $749,999	75	2.012	96.513	54,007,585	4.456	90.909
$750,000 - $799,999	55	1.475	97.988	42,502,327	3.507	94.416
$800,000 - $849,999	23	0.617	98.605	18,963,161	1.565	95.980
$850,000 - $899,999	21	0.563	99.168	18,162,098	1.499	97.479
$900,000 - $949,999	11	0.295	99.464	10,150,037	0.838	98.317
$950,000 - $999,999	13	0.349	99.812	12,557,290	1.036	99.353
$1,000,000 and greater	7	0.188	100.000	7,844,438	0.647	100.000
Total	3,728	100.000%		$1,211,913,441	100.000%	

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

Appeals of Assessed Value

There are two types of appeals of assessed values that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" in Appendix B.

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the County Assessor.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Refunding Bonds to increase accordingly, so that the fixed debt service on the Refunding Bonds (and other outstanding general obligation bonds, if any) may be paid.

Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in Tax Rate Area 22-000 (a typical tax rate area in the District) for fiscal years 2007-08 through 2011-12.

ALBANY UNIFIED SCHOOL DISTRICT
Summary of *Ad Valorem* Tax Rates
$1 per $100 of Assessed Valuation
Fiscal Years 2007-08 through 2011-12
(Tax Rate Area 22-000 2011-12 Assessed Valuation: $1,863,276,198)

	2007-08	2008-09	2009-10	2010-11	2011-12
County-wide	1.0000	1.0000	1.0000	1.0000	1.0000
Albany Unified School District	.1284	.1451	.1709	.1725	.1645
Peralta Community College District	.0223	.0362	.0430	.0430	.0436
Bay Area Rapid Transit District	.0076	.0090	.0057	.0031	.0041
East Bay Regional Park	.0080	.0100	.0108	.0084	.0071
East Bay Municipal Utility District, Special District No. 1	.0065	.0064	.0065	.0067	.0067
City of Albany	.1668	.1653	.1645	.1638	.1628
Total	1.3396	1.3720	1.4014	1.3975	1.3888

Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

The following table shows tax charges, collections and delinquencies for secured property in the District with respect to the District's levy for debt service on outstanding general obligation bonds. Secured property taxes not relating to the one percent General Fund apportionment (which is provided for under the County's Teeter Plan described below) which are collected by the County are allocated to political subdivisions for which the County acts as tax-levying or tax-collecting agency, including the District, when the secured property taxes are actually collected.

ALBANY UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2005-06 through 2010-11

Fiscal Year	Secured Tax Charge[(1)]	Amount Delinquent (as of June 30)	% Delinquent June 30
2005-06	$1,921,074.07	$22,399.40	1.17%
2006-07	2,635,571.57	51,295.97	1.95
2007-08	2,186,157.01	45,917.73	2.10
2008-09	2,586,915.70	86,790.49	3.35
2009-10	3,111,539.22	46,816.05	1.50
2010-11	3,170,774.23	48,050.01	1.52

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

For the District's share of the one percent general fund apportionment, the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the **"Teeter Plan"**) as provided for in the State Revenue and Taxation Code, which requires the County to pay 100% of such secured property taxes due to local agencies in the fiscal year such taxes are due. Pursuant to these provisions, each county operating under the Teeter Plan establishes a delinquency reserve and assumes responsibility for all secured delinquencies, assuming that certain conditions are met.

Because of this method of tax collection, the K-12 districts located in counties operating under the Teeter Plan and participating in the Teeter Plan are assured of 100% collection of their secured tax levies for the one percent general fund apportionment if the conditions established under the applicable county's Teeter Plan are met. However, such districts are no longer entitled to share in any penalties due to delinquent payments. This method of tax collection and distribution is subject to future discontinuance at the County's option or if demanded by the participating taxing agencies.

Major Taxpayers

The twenty taxpayers in the District with the greatest combined assessed valuation of taxable property on the fiscal year 2011-12 tax roll, and the assessed valuations thereof, are shown below.

The more property (by assessed value) which is owned by a single taxpayer in the District, the greater amount of tax collections are exposed to weaknesses in the taxpayer's financial situation and ability or willingness to pay property taxes. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

ALBANY UNIFIED SCHOOL DISTRICT
Largest 2011-12 Local Secured Taxpayers

	Property Owner	Primary Land Use	2011-12 Assessed Valuation	% of Total (1)
1.	Golden Gate Land Holdings LLC	Recreational – Race Track	$ 47,500,639	2.51%
2.	Target Corporation	Commercial	30,838,029	1.63
3.	ESMHT LLC	Apartments	9,077,330	0.48
4.	Erik and Rose L. Eichner, Trust	Apartments	8,908,387	0.47
5.	Fire in the Hole LLC	Apartments	4,985,945	0.26
6.	Dallas V. Allen, Jr. and Alvin T. Satake, Trustees	Commercial	4,814,219	0.25
7.	Safeway Inc.	Commercial	4,803,293	0.25
8.	1001 Eastshore Partners	Commercial	4,622,594	0.24
9.	Katy and Amiry Ferri Farrakhtala, Trustees	Apartments	4,188,649	0.22
10.	Charles L. Meier and Sharon G. Friedman, Trustees	Commercial	4,160,385	0.22
11.	Alta Bates Summit Medical Center	Medical Buildings	3,487,365	0.18
12.	Albany Bowl Properties	Bowling Alley	3,447,677	0.18
13.	Southwick 1025 Eastshore Highway LLC	Auto Dealer	3,384,705	0.18
14.	Edward F. Biggs, Sr.	Apartments	3,340,475	0.18
15.	Solano Group	Commercial	3,269,676	0.17
16.	Larry L. and Judith L. Tannahill, Trustees	Commercial	3,198,603	0.17
17.	Portland Gardens LLC	Apartments	3,160,464	0.17
18.	Faramarz and Jaleh P. Pakzad, Trustees	Commercial	3,141,277	0.17
19.	401 Park Plaza LLC	Apartments	3,134,361	0.17
20.	Brighton Avenue Apartments LLC	Apartments	2,852,667	0.15
			$156,316,740	8.26%

(1) 2011-12 local secured assessed valuation: $1,891,372,998.
Source: California Municipal Statistics, Inc.

The following properties are responsible for 2.51 percent and 1.63 percent, respectively, of the total secured property tax levy in the District. More information regarding these properties is set forth below.

Golden Gate Fields Property. Golden Gate Land Holdings LLC is the property owner of record of what is known commonly as the Golden Gate Fields Property, which consists of approximately 100 acres in the City of Albany and 40 acres in the City of Berkeley along the Eastshore Highway, and operates this property as a horse racing track. The Stronach Group is the owner and developer of this property, following its acquisition of a number of racing and gaming assets from MI Developments Inc. in June, 2011. Based on publicly available information, The Stronach Group is a privately held consortium that owns, operates and manages a number of businesses including thoroughbred racing and gaming, and owns a number of development properties and real estate assets in North America and Europe.

According to the County Assessor's Office, property taxes with respect to this property are current. In 2011, The Stronach Group explored development of this property by applying to the Lawrence Berkeley National Lab (**"LBNL"**) for development as a second site for LBNL. The site was not selected and the District is not aware of any current plans for development of the site, and cannot predict how the site might be developed in the future and the impact, if any, that such development might have on the assessed value of such property.

Target Property. In 2006, Target, Inc. constructed a 165,000 square foot two-story retail facility on a 10-acre site located along the Eastshore Highway in the southern portion of the City. This site includes a 6.000 square foot flex-site that is available for development. Target Inc. is a publicly held company (NYSE: TGT) which as of January 29, 2011 had 1,750 stores in 49 states and the District of Columbia.

Notwithstanding the above information regarding these property owners in the District, the Refunding Bonds are secured by *ad valorem* property taxes, which the County is obligated to levy against District properties in sufficient amounts to pay debt service on the Refunding Bonds, and such property is subject to penalties for non-payment and collection procedures as described above under the heading "PROPERTY TAXATION – Property Tax Collection Procedures."

The above information has been obtained from public sources, and the District makes no representation regarding the accuracy or completeness of such information.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. for debt issued as of April 1, 2012. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

ALBANY UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
(Debt Issued as of April 1, 2012)

2011-12 Assessed Valuation:	$1,917,630,309
Redevelopment Incremental Valuation:	40,121,547
Adjusted Assessed Valuation:	$1,877,508,762

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/12	
Bay Area Rapid Transit District	0.430%	$ 1,773,922	
Peralta Community College District	3.372	14,365,057	
Albany Unified School District	**100.**	**41,040,000**	(1)
East Bay Municipal Utility District, Special District No. 1	3.116	674,614	
East Bay Regional Park District	0.669	866,522	
City of Albany	100.	17,420,000	
City of Albany 1915 Act Bonds	100.	3,125,000	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$79,265,115	
OVERLAPPING GENERAL FUND DEBT:			
Alameda County General Fund Obligations	1.112%	$ 7,644,522	
Alameda County Pension Obligations	1.112	1,462,731	
Alameda-Contra Costa Transit District Certificates of Participation	1.350	465,548	
Peralta Community College District Pension Obligations	3.372	5,400,227	
City of Albany General Fund Obligations	100.	275,000	
TOTAL OVERLAPPING GENERAL FUND DEBT		$15,248,028	
COMBINED TOTAL DEBT		$94,513,143	(2)

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

Ratios to 2011-12 Assessed Valuation:
Direct Debt ($41,040,000)... 2.14%
Total Direct and Overlapping Tax and Assessment Debt............ 4.13%

Ratios to Adjusted Assessed Valuation:
Combined Total Debt 5.03%

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

Source: California Municipal Statistics, Inc.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Refunding Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Refunding 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 Refunding 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 Refunding Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Refunding Bonds.

Subject to the District's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, interest on the Refunding 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 Refunding 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 their respective knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Code includes provisions for an alternative minimum tax (**"AMT"**) for corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation, if any, depends upon the corporation's alternative minimum taxable income (**"AMTI"**), which is the corporations' 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 generally include certain tax-exempt interest, but not interest on the Refunding Bonds.

Ownership of the Refunding 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 Refunding 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 Refunding Bonds is the price at which a substantial amount of such maturity of the Refunding Bonds is first sold to the public. The Issue Price of a maturity of the Refunding 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 Refunding Bonds who dispose of Refunding Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Refunding Bonds in the initial public offering, but at a price different from the Issue Price, or purchase Refunding Bonds subsequent to the initial public offering, should consult their own tax advisors.

If a Refunding Bond is purchased at any time for a price that is less than the Refunding Bond's stated redemption price at maturity (the **"Reduced Issue Price"**), the purchaser will be treated as having purchased a Refunding 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 Refunding 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 Refunding 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 Refunding Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Refunding Bonds.

An investor may purchase a Refunding Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "Refunding Bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Refunding Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized Refunding Bond premium relating to a tax-exempt Refunding Bond. The amortized Refunding Bond premium is treated as a reduction in the tax-exempt interest received. As Refunding Bond premium is amortized, it reduces the investor's basis in the Refunding Bond. Investors who purchase a Refunding Bond at a premium should consult their own tax advisors regarding the amortization of Refunding Bond premium and its effect on the Refunding Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Refunding 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 Refunding Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to Refunding Bonds issued prior to enactment. Prospective purchasers of the Refunding Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Refunding Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the **"IRS"**) has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the IRS, 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 IRS will commence an audit of the Refunding Bonds. If an audit is commenced, under current procedures the IRS may treat the Issuer as a taxpayer and the Refunding 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 Refunding 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 Refunding Bonds, are in certain cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any Refunding 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 Refunding Bond owner who is notified by the IRS 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 Refunding Bonds is exempt from California personal income taxes.

Ownership of the Refunding 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 Refunding Bonds. Prospective purchasers of the Refunding 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 Refunding Bonds is attached hereto as Appendix D.

CERTAIN LEGAL MATTERS

Legality for Investment

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

Absence of Litigation

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

The District is routinely subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

Compensation of Certain Professionals

Payment of the fees and expenses of Quint & Thimmig LLP, as Bond Counsel, Jones Hall, A Professional Law Corporation, as Disclosure Counsel, and KNN Public Finance, A Division of Zions First National Bank of Oakland, California, as financial advisor is contingent upon issuance of the Refunding Bonds.

CONTINUING DISCLOSURE

The District will execute a Continuing Disclosure Certificate in connection with the issuance of the Refunding Bonds in the form attached hereto as Appendix E. The District has covenanted therein, for the benefit of holders and beneficial owners of the Refunding Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board (an **"Annual Report"**) not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing March 31, 2013 with the report for the 2011-2012 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Purchaser of the Refunding Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the **"Rule"**).

The District has existing disclosure undertakings that have been made pursuant to the Rule in connection with the issuance of the District's outstanding general obligation bonds (see information in Appendix B under the heading "DISTRICT FINANCIAL INFORMATION – General Long-Term Debt"). In the previous five years, the District has made each of its Annual Report filings pursuant to such undertakings in a complete and timely manner. With respect to event notices that may have been required in connection with changes in insured ratings resulting from bond insurer downgrades and/or changes in underlying ratings due to the recalibration of rating assessments by Moody's, in the previous five years, the District may not have filed all required event notices for such ratings changes in a timely manner. Supplemental notices of the rating changes have been made. Accordingly, the District is presently in compliance with its existing continuing disclosure undertakings. In order to assist it in complying with its disclosure undertakings for its outstanding bonds and the Refunding Bonds, the District has engaged KNN Public Finance, A Division of Zions First National Bank, its Financial Advisor, to serve as its dissemination agent with respect to its each of its disclosure undertakings, including the Continuing Disclosure Certificate to be executed in connection with the Refunding Bonds.

ESCROW VERIFICATION

Causey Demgen & Moore, CPAs, Denver, Colorado (the **"Verification Agent"**), upon delivery of the Refunding Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to (i) the sufficiency of the anticipated amount of proceeds of the Refunding Bonds and other funds available to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements of the Refunded Bonds and (ii) the "yield" of the deposits in the Escrow Fund and on the Refunding Bonds considered by Bond Counsel in connection with the opinion rendered by such firm that the Refunding Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended..

The report of the Verification Agent will include the statement that the scope of their engagement is limited to verifying mathematical accuracy, of the computations contained in such schedules provided to them, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

RATING

Moody's Investors Service ("**Moody's**") has assigned the Refunding Bonds a rating of "Aa3." This rating reflects only the view of Moody's, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from Moody's.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The District has provided certain additional information and materials to Moody's (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by Moody's, if in the judgment of the rating agency, circumstances so warrant. The District has not undertaken any responsibility either to bring to the attention of the owners of the Refunding Bonds any proposed change in or withdrawal of a rating, or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal of any rating on the Refunding Bonds may have an adverse effect on the market price or marketability of the Refunding Bonds.

COMPETITIVE SALE OF REFUNDING BONDS

The Refunding Bonds are being purchased for reoffering by __________ (the **"Purchaser"**) pursuant to competitive bidding held on May 17, 2012. The Purchaser has agreed to purchase the Refunding Bonds for $_________ (representing the aggregate principal amount of the Refunding Bonds, less a purchaser's discount of $_________).

The Purchaser intends to offer the Refunding Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Purchaser may offer and sell to certain dealers and others at a price lower than the offering prices stated on the cover page hereof. The offering price may be changed from time to time by the Purchaser.

ADDITIONAL INFORMATION

The discussions herein about the Bond Resolution, the Escrow Agreement and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of these documents mentioned are available from the District and following delivery of the Refunding Bonds will be on file at the offices of the Paying Agent in San Francisco, California.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official

Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Refunding Bonds.

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

ALBANY UNIFIED SCHOOL DISTRICT

By: ____
Superintendent

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APPENDIX A

ALBANY UNIFIED SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2010-11

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ALBANY UNIFIED SCHOOL DISTRICT
COUNTY OF ALAMEDA
ALBANY, CALIFORNIA

AUDIT REPORT

JUNE 30, 2011

WILKINSON HADLEY KING & CO. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, California 92020

Introductory Section

Albany Unified School District
Audit Report
For The Year Ended June 30, 2011

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Albany Unified School District
Audit Report
For The Year Ended June 30, 2011

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Financial Section

WILKINSON HADLEY KING & CO. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, California 92020

Independent Auditor's Report on Financial Statements

Board of Trustees
Albany Unified School District
Albany, California

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Albany Unified School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Albany Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Albany Unified School District as of June 30, 2011, and the respective changes in financial position, 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 October 26, 2011, on our consideration of Albany Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Albany Unified School District's financial statements as a whole. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11,* published by the Education Audit Appeals Panel, and is also not a required part of the financial statements. The combining financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wilkinson Hadley King & Co. LLP

El Cajon, California
October 26, 2011

ALBANY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011
(Unaudited)

This discussion and analysis of the Albany Unified School District's financial performance provides an overall review of the district's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the district's financial performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the district's financial performance.

USING THESE FINANCIAL STATEMENTS

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Albany Unified School District as a complex financial entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Albany Unified School District does not operate any business-type activities, so the information presented is solely for governmental activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole district, presenting both an aggregate view of the district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2010-11 are as follows:

- Total net assets are $31,414,930.
- Outstanding General Obligation Bonds Debt decreased from $44,884,837 to $43,067,979 during the 2010-11 fiscal year.
- The Other Post-Employment Benefits Obligation for the 2010-11 fiscal year had total expenditures of $494,453 and a total required contribution of $941,000.
- The student enrollment decreased by 3 students from October 2009 to October 2010. The previous year increase from October 2008 to October 2009 was 5 students.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual audit 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 different kinds of statements which present both a view of the district as a whole, and individual fund statements that focus on various parts of the district's operations in more detail. The financial statements also include notes that explain some of the information presented 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.

REPORTING THE DISTRICT AS A WHOLE FINANCIAL ENTITY

Statement of Net Assets and Statement of Activities

While this document contains several funds used by the district to provide programs and activities, the view of the district as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010-11?"

The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and all liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies.
This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or disbursed.

These two statements report the district's net assets and changes in those assets. This change in net assets is important because it tells the reader whether, for the district as a whole, the financial position of the district has improved or diminished.

In the Statement of Net Assets and the Statement of Activities, the district is presented in just one kind of activity, Governmental Activities. All the district's programs and services are reported here including instructional, support services, and operation and maintenance of plant and facilities. The district does not operate any business-type activities, so none are presented here.

REPORTING THE DISTRICTS MOST SIGNIFICANT INDIVIDUAL FUNDS

Fund Financial Statements

Major Funds: The analysis of the districts major funds is included in the audit report. Fund financial reports provide detailed information about the district's major funds. The district uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the most significant funds. The major governmental fund, which accounts for most of the day-to-day programs and services provided by the district, is the General Fund.

Governmental Funds: Most of the district's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the district's general government operations and the basic services it provides. Governmental fund information helps you determine the financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

ALBANY UNIFIED SCHOOL DISTRICT AS A COMPLETE FINANCIAL ENTITY

Recall that the Statement of Net Assets provides the perspective of the district as a whole. Table 1 provides a summary of the district's net assets for 2010-11.

Table 1
Statement of Net Assets
June 30, 2011

	2009-10	2010-11	Variance
Assets			
Cash	$19,961,848	$13,632,769	($6,329,079)
Investments	-	-	-
Receivables	$8,366,656	$11,865,493	$3,498,837
Due from other funds	-	-	-
Stores	$1,308	$3,238	$1,930
Prepaid expenses	$246,345	$86,319	($160,026)
Capital Assets:			
Land	$4,394,935	$4,394,935	$0
Sites and improvements	$10,212,404	$10,212,404	$0
Buildings and improvements	$52,674,349	$52,674,349	$0
Equipment	$6,236,027	$6,236,027	$0
Work in progress	$1,145,534	$5,657,991	$4,512,457
Less accumulated depreciation	($18,674,990)	($20,988,056)	($2,313,066)
Total assets	**$84,564,416**	**$83,775,469**	**($788,947)**
Liabilities			
Accounts payable and other current liabilities	$6,419,644	$7,815,082	$1,395,438
Due to other funds	-	-	-
Current loans	-	-	-
Deferred revenue	$491,495	$406,137	($85,358)
Long-term liabilities:			
Due within one year	$1,280,000	$1,551,858	$271,858
Due in more than one year	$44,229,631	$42,587,462	($1,642,169)
Total liabilities	**$52,420,770**	**$52,360,539**	**($60,231)**
Net Assets			
Invested in Capital Assets, Net of Related Debt	$24,570,125	$25,873,062	$1,302,937
Restricted	$7,573,521	$5,541,868	($2,031,653)
Unrestricted	-	-	-
Total net assets	**$32,143,646**	**$31,414,930**	**($728,716)**

Revenue in the Governmental Funds is divided into general revenue, which funds the basic ongoing instructional program and related support services, and program revenue, which funds specific program activities that support the children enrolled in Albany's schools.

Table 2
Revenue – Governmental Activities

	2009-10	2010-11	Variance
General Revenue	$31,946,973	$34,495,808	$2,548,835
Program Revenue and Fees for Services	$24,620,339	$23,906,199	($714,140)
Capital Grants and Contributions	$4	$0	($4)
Total Revenue	**$56,567,316**	**$58,402,007**	**$1,834,691**

The primary sources of general revenue are the state revenue limit and local property tax revenue. The primary sources of program revenue are the state of California and the federal government, which fund many programs operated by the district, and fees collected for meals.

Table 3
Expenditures – Governmental Activities

	2009-10	2010-11	Variance
Classroom Instruction	$25,563,677	$24,657,414	($906,263)
Instructional Related Services	$3,635,357	$3,679,459	$44,102
Pupil Services	$2,217,926	$2,110,594	($107,332)
General Administration	$2,591,261	$3,011,453	$420,192
Plant Services	$2,956,558	$3,228,230	$271,672
Ancillary/Community Services	$530,681	$651,000	$120,319
Interest on Long-term Debt	$1,741,749	$2,992,810	$1,251,061
Other Outgo and Unallocated Depreciation	$18,093,008	$18,799,763	$706,755
Total Expenditures	**$57,330,217**	**$59,130,723**	**$1,800,506**

THE GENERAL FUND OPERATING BUDGET

Information about the district's major fund, the General Fund, is shown later in this report. This fund is accounted for using the modified accrual basis of accounting. The district's budget is prepared according to California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

During the course of the 2010-11 fiscal year, the district revised its general fund budget at First Interim and Second Interim to better reflect new grants and awards, and to portray the most current state and federal budget projections, as that information became available. Most of the revisions were not significant in terms of the overall budget. Budget revisions are presented to the Governing Board for review and approval at regularly scheduled Board meetings.

CAPITAL ASSETS

At the end of the 2010-11 fiscal year the district had $79,175,706 in land, buildings, site improvements, capital equipment and work in progress. Depreciation totaling $20,988,056 was charged against the value of those assets for net capital assets of $58,187,650.

CURRENT FINANCIAL RELATED ACTIVITIES

Albany Unified School District maintains the required reserve designated for economic uncertainties. The state required reserve designated for economic uncertainties is 3%. Each year the district takes a very careful look at revenue and expenditure projections on a multi-year basis, and adjusts its budget accordingly, to maintain an acceptable and safe reserve balance. As the preceding information shows, assets are substantial and the amount of debt paid from general revenues is a very small percentage of the overall budget. However, the financial future is full of challenges due to the district's dependence on the state of California for the majority of its general operating revenue. The state of California's economy continues to leave public education in a state of fiscal uncertainty.

CONTACTING THE DISTRICT'S FINANCIAL MANAGERS

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the district's finances and to reflect the district's accountability for the funds it receives. If you have questions regarding this report or need additional financial information, contact Laurie Harden, Assistant Superintendent of Business Services at Albany Unified School District, 1051 Monroe Street, Albany, California, 94706 or e-mail lharden@ausdk12.org.

Basic Financial Statements

ALBANY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
ASSETS:	
Cash in County Treasury	$ 13,602,769
Cash on Hand and in Banks	5,000
Cash in Revolving Fund	25,000
Accounts Receivable	11,865,493
Stores Inventories	3,238
Prepaid Expenses	86,319
Capital Assets:	
Land	4,394,935
Land Improvements	10,212,404
Buildings	52,674,349
Equipment	6,236,027
Work in Progress	5,657,991
Less Accumulated Depreciation	(20,988,056)
Total Assets	83,775,469
LIABILITIES:	
Accounts Payable	7,815,082
Deferred Revenues	406,137
Long-Term Liabilities:	
Due within One Year	1,551,858
Due in More Than One Year	42,587,462
Total Liabilities	52,360,539
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	15,119,671
Restricted For:	
Debt Service	7,176,935
Capital Projects	3,576,456
Educational Programs	5,541,868
Total Net Assets	$ 31,414,930

The accompanying notes are an integral part of this statement.

ALBANY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
PRIMARY GOVERNMENT:				
Government Activities:				
Instruction	$ 24,657,414	$ -	$ 6,214,827	$ (18,442,587)
Instruction-Related Services:				
Instructional Supervision and Administration	998,355	-	816,303	(182,052)
Instructional Library, Media and Technology	463,453	-	40,477	(422,976)
School Site Administration	2,217,651	-	119,109	(2,098,542)
Pupil Services:				
Home-to-School Transportation	141,713	-	25,930	(115,783)
Food Services	840,777	447,964	353,892	(38,921)
All Other Pupil Services	1,128,104	-	112,506	(1,015,598)
General Administration:				
Centralized Data Processing	871,225	-	43,442	(827,783)
All Other General Administration	2,140,228	19,889	361,855	(1,758,484)
Plant Services	3,228,230	-	95,694	(3,132,536)
Ancillary Services	356,361	-	90,461	(265,900)
Community Services	294,639	-	21,059	(273,580)
Interest on Long-Term Debt	2,992,810	-		(2,992,810)
Other Outgo	16,486,697	41,442	15,101,349	(1,343,906)
Depreciation (Unallocated)	2,313,066	-	-	(2,313,066)
Total Governmental Activities	$ 59,130,723	$ 509,295	$ 23,396,904	$ (35,224,524)

General Revenues:	
Revenue Limit Sources	15,384,007
Federal and State Revenues, Not Restricted	16,995,429
Interst and Investment Earnings	103,823
Interagency Revenues	192,649
Miscellaneous	1,819,900
Total General Revenues	34,495,808
Change in Net Assets	(728,716)
Net Assets - Beginning	32,143,646
Net Assets - Ending	$ 31,414,930

The accompanying notes are an integral part of this statement.

ALBANY UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Building Fund
ASSETS:		
Cash in County Treasury	$ 3,203,589	$ 7,162,543
Cash on Hand and in Banks	-	-
Cash in Revolving Fund	25,000	-
Accounts Receivable	11,700,711	14,392
Due from Other Funds	156,470	-
Stores Inventories	-	-
Prepaid Expenditures	79,914	-
Total Assets	$ 15,165,684	$ 7,176,935
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 5,525,170	$ 1,203,648
Due to Other Funds	500,049	-
Deferred Revenue	406,137	-
Total Liabilities	6,431,356	1,203,648
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	25,000	-
Prepaid Items	79,914	-
Stores inventories	-	-
Committed Fund Balances:		
Committed for Other Purposes	-	-
Assigned Fund Balances	3,814,932	5,973,287
Unassigned:		
Unassigned for Economic Uncertainties	4,814,482	-
Total Fund Balance	8,734,328	5,973,287
Total Liabilities and Fund Balances	$ 15,165,684	$ 7,176,935

The accompanying notes are an integral part of this statement.

Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
$ 2,706,686	$ 529,952	$ 13,602,770
-	5,000	5,000
-	-	25,000
-	150,389	11,865,492
-	505,257	661,727
-	3,238	3,238
-	6,405	86,319
$ 2,706,686	$ 1,200,241	$ 26,249,546
$ -	$ 92,527	$ 6,821,345
-	161,678	661,727
-	-	406,137
-	254,205	7,889,209
-	-	25,000
-	6,405	86,319
-	3,238	3,238
-	775,168	775,168
2,706,686	161,225	12,656,130
-	-	4,814,482
2,706,686	946,036	18,360,337
$ 2,706,686	$ 1,200,241	$ 26,249,546

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ALBANY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total fund balances - governmental funds balance sheet		$	18,360,337
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not reported in the funds, net of accumulated depreciation.			
Capital assets relating to governmental activities, at historical cost:	79,175,707		
Accumulated depreciation:	(20,988,056)		58,187,651
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(993,738)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consisted of:			
General obligation bonds	42,560,000		
Bond premium	507,979		
Net OPEB obligation	1,071,341		(44,139,320)
Net assets of governmental activities - statement of net assets		$	31,414,930

The accompanying notes are an integral part of this statement.

ALBANY UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Building Fund
Revenues:		
Revenue Limit Sources:		
State Apportionments	$ 13,676,652	$ -
Local Sources	5,974,359	-
Federal Revenue	7,651,169	-
Other State Revenue	17,315,970	-
Other Local Revenue	7,040,303	56,980
Total Revenues	51,658,453	56,980
Expenditures:		
Instruction	22,604,771	-
Instruction - Related Services	3,598,583	-
Pupil Services	1,282,496	-
Ancillary Services	356,360	-
Community Services	-	-
General Administration	2,849,098	-
Plant Services	2,634,145	4,609,858
Other Outgo	16,486,697	-
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	49,812,150	4,609,858
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,846,303	(4,552,878)
Other Financing Sources (Uses):		
Transfers In	865,000	-
Transfers Out	(1,365,000)	-
Total Other Financing Sources (Uses)	(500,000)	-
Net Change in Fund Balance	1,346,303	(4,552,878)
Fund Balance, July 1	7,388,025	10,526,165
Fund Balance, June 30	$ 8,734,328	$ 5,973,287

The accompanying notes are an integral part of this statement.

Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 13,676,652
-	-	5,974,359
-	328,493	7,979,662
40,281	1,011,829	18,368,080
3,633,200	2,018,221	12,748,704
3,673,481	3,358,543	58,747,457
-	1,729,636	24,334,407
-	49,991	3,648,574
-	828,097	2,110,593
-	-	356,360
-	294,639	294,639
-	131,470	2,980,568
-	434,916	7,678,919
-	-	16,486,697
1,785,000	-	1,785,000
2,030,930	-	2,030,930
3,815,930	3,468,749	61,706,687
(142,449)	(110,206)	(2,959,230)
-	1,085,000	1,950,000
-	(585,000)	(1,950,000)
-	500,000	-
(142,449)	389,794	(2,959,230)
2,849,135	556,242	21,319,567
$ 2,706,686	$ 946,036	$ 18,360,337

ALBANY UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Private-purpose Trust Funds	Agency Funds: Student Body Fund
ASSETS:		
Cash on Hand and in Banks	$ 7,247	$ 158,199
Total Assets	$ 7,247	$ 158,199
LIABILITIES:		
Due to Student Groups	$ -	$ 158,199
Total Liabilities	-	158,199
NET ASSETS:		
Held in Trust	7,247	-
Total Net Assets	$ 7,247	$ -

The accompanying notes are an integral part of this statement.

ALBANY UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Private-Purpose Trust Funds
Additions:	
Local Donations	$ 250
Investment Income	292
Total Additions	542
Deductions:	
Scholarship Awards	2,500
Administrative Expenses	135
Total Deductions	2,635
Change in Net Assets	(2,093)
Net Assets-Beginning of the Year	9,340
Net Assets-End of the Year	$ 7,247

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Building Fund. This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

Bond Interest and Redemption Fund. This fund accounts for the collection of property taxes and repayment of general obligation bonds of the District.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds: These funds account for the acquisition and/or construction of all major governmental general fixed assets.

Debt Service Funds. These funds account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. 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 as of June 30.

4. Assets, Liabilities, and Equity

a. Deposits and Investments

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

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the Alameda County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Alameda County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories 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 current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	25-50
Building Improvements	15-20
Vehicles	5-15
Office Equipment	5-15
Other Equipment	5-15

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The liabilities is recognized in the general fund at year end.

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

e. Deferred Revenue

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

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation.
Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Alameda bills and collects the taxes for the District.

h. Fund Balance Reserves and Designations

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

i. Minimum Fund Balance

The District maintains a minimum reserve of an amount not less than three percent of the District's general fund annual operating expenditures. The minimum reserve shall apply towards the established one percent minimum Reserve for Economic Uncertainties or an amount that meets or exceeds the requirements by law. The primary purpose of this reserve is to avoid the need for service level reductions in the event of an economic downturn which causes revenues to come in lower than budget. This reserve may be increased from time to time in order to address specific anticipated shortfalls. The District believes a reserve at this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in state and federal revenues. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

j. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement #54, Fund 17 (Special Reserve for Other Than Capital Outlay) and Fund 20 (Special Reserve Fund for Post Employment Benefits) are merged with the General Fund for purposes of presentation in the audit report.

k. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None reported	Not applicable

C. Excess of Expenditures Over Appropriations

As of June 30, 2011, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Excess Expenditures
General Fund:	
Other outgo	$ 420,822
Direct support/indirect costs	185,059

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Alameda County Treasury as part of the common investment pool ($13,602,770 as of June 30, 2011). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $13,602,770. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks ($170,446 as of June 30, 2011) and in the revolving fund ($25,000) are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of individual securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollaterized, collaterized with securities held by the pledging financial institution, or collaterized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

E. Accounts Receivable

Accounts receivable at June 30, 2011 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Total
Federal Government:				
Federal programs	$ 1,793,115	$ 40,090	$ -	$ 1,833,205
State Government:				
Lottery	264,467	-	-	264,467
Revenue Limit	4,356,846	-	-	4,356,846
Other state programs	4,200,356	3,293	-	4,203,649
Local Sources:				
Interest	48,174	1,467	16,556	66,197
Other local sources	1,037,753	99,049	4,326	1,141,128
Totals	$ 11,700,711	$ 143,899	$ 12,013	$ 11,865,492

F. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 4,394,935	$ -	$ -	$ 4,394,935
Work in progress	11,454,534	45,102,457	-	5,657,991
Total capital assets not being depreciated	15,849,469	45,102,457	-	10,052,926
Capital assets being depreciated:				
Buildings	52,674,349	-	-	52,674,349
Land improvements	10,212,404	-	-	10,212,404
Equipment	6,236,027	-	-	6,236,027
Total capital assets being depreciated	69,122,780	-	-	69,122,780
Less accumulated depreciation for:				
Buildings	(14,283,013)	(1,436,393)	-	(15,719,406)
Land improvements	(1,244,504)	(520,766)	-	(1,765,270)
Equipment	(3,147,474)	(355,906)	-	(3,503,380)
Total accumulated depreciation	(18,674,991)	(2,313,065)	-	(20,988,056)
Total capital assets being depreciated, net	50,447,789	(2,313,065)	-	48,134,724
Governmental activities capital assets, net	$ 66,297,258	$ 42,789,392	$ -	$ 58,187,650

Depreciation was charged to functions as follows:

Unallocated	$ 2,313,065
	$ 2,313,065

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2011 consisted of the following:

Due To Fund	Due From Fund	Amount
General Fund	Adult Education Fund	$ 12,306
General Fund	Child Development Fund	108,169
General Fund	Cafeteria Fund	35,995
Cafeteria Fund	Child Development Fund	5,208
Cafeteria Fund	General Fund	49
Deferred Maintenance Fund	General Fund	500,000
	Total	$ 661,727

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2011 consisted of the following:

Transfers From	Transfers To	Amount
General Fund	Special Reserve Fund	$ 280,000
General Fund	Child Development Fund	500,000
General Fund	Adult Education Fund	10,000
General Fund	Cafeteria Fund	75,000
Child Development Fund	General Fund	500,000
Cafeteria Fund	General Fund	75,000
Deferred Maintenance Fund	General Fund	500,000
Adult Education Fund	General Fund	10,000
	Total	$ 1,950,000

H. Accounts Payable

Accounts payable at June 30, 2011 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Total
Vendor payables	$ 4,766,311	$ 32,642	$ 1,204,796	$ 6,003,749
Payroll and related benefits	752,510	58,535	-	811,045
Other	6,349	202	-	6,551
Totals	$ 5,525,170	$ 91,379	$ 1,204,796	$ 6,821,345

I. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

J. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2011 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 44,345,000	$ -	$ 1,785,000	$ 42,560,000	$ 1,520,000
Bond premium	539,837	-	31,858	507,979	31,858
Net OPEB obligation	624,794	446,547	-	1,071,341	-
Total governmental activities	$ 45,509,631	$ 446,547	$ 1,816,858	$ 44,139,320	$ 1,551,858

2. Debt Service Requirements

Debt service requirements on long-term debt, net of OPEB obligation and premium at June 30, 2011, are as follows:

	Governmental Activities		
Year Ending June 30,	Principal	Interest	Total
2012	$ 1,520,000	$ 1,957,828	$ 3,477,828
2013	1,705,000	1,881,870	3,586,870
2014	1,880,000	1,811,456	3,691,456
2015	2,070,000	1,447,390	3,517,390
2016	2,270,000	1,629,536	3,899,536
2017-2021	13,020,000	6,668,028	19,688,028
2022-2026	11,860,000	5,473,046	17,333,046
2027-2031	7,780,000	756,654	8,536,654
2032-2036	455,000	7,988	462,988
Totals	$ 42,560,000	$ 21,633,796	$ 64,193,796

K. Joint Ventures (Joint Powers Agreements)

The District participates in two joint powers agreements (JPA) entities, the Alameda County Schools Insurance Group, and the Schools Excess Liability Fund public risk pool. The relationship between the District and the JPA's are such that the JPA's are not component units of the District.

The JPA's arranges for and provides for various types of insurances for its member districts as requested. The JPA's are governed by a board consisting of a representative from each member district. The board controls the operations of the JPA's, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA's.

Combined condensed unaudited financial information of the JPA's for the year ended June 30, 2011 was not available.

L. Employee Retirement Systems

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

PERS:

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 (7% of monthly salary over $133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-11 was 10.707% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2011, 2010 and 2009 were $603,521, $530,457 and $572,635, respectively, and equal 100% of the required contributions for each year.

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, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-11 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2011, 2010 and 2009 were $1,406,431, $1,356,410 and $1,416,747, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was $761,868.

M. Postemployment Benefits Other Than Pension Benefits

Plan Description

The Albany Unified School District (District) administers a single-employer healthcare plan (Plan). The plan provides postemployment benefits for eligible participants enrolled in the CalPERS plans. At July 1, 2010 there were 104 retirees and 35 spouses of retirees a combined increase of 32% from the 2008 valuation.The benefits are provided in the form of an explicit subsidy where the District contributes towards the retiree health premiums. Eligibility is as follows:

Albany Teachers Association (ATA)
Employees must be age 55 with at least 10 years of service in the District and retiring into the State Teachers Retirement System (STRS) or Public Employees Retirement System (PERS).

Administrators (Certificated/Classified)
Certificated employees must be age 55 with at least 7 years of service in order to be eligible for benefits. Classified employees must be age 50 with the same years of service requirements as Certificated employees. All employees must be currently drawing retirement from STRS or PERS. As of July 1, 2008, the eligibility for Classified employees has been changed to age 55 and 7 years of service.

California School Employees Accociation (CSEA)
Effective July 1, 2008, employees must be 58 with 15 years of Service in the District and retiring from a public retirement system such as STRS or PERS. Effective July 1, 2012, employees must be age 60 with 15 years of service in the District and retiring from a public retirement system such as STRS or PERS.

Service Employees International Union (SEIU)
Option 1. Employees must be at least age 55 with 15 years of service in the District and participating in the District's health, dental, and vision program to be eligible to participate in the benefit program of his/her choice.

Option 2. Employees must be age 60 with 10 years of service in the District and participating in the District's health program to be eligible to participate in the health benefit program of his/her choice.

Contribution Information

Upon meeting eligibility, the District pays 100% of the premium for medical, dental and vision coverage for both ATA and CSEA retirees and their spouses. Eligible SEIU employees under the Option 1 benefit plan, hired prior to January 1, 2005, receive $400 monthly for medical and 100% of dental and vision premiums. Eligible SEIU employees and spouses under Option 2 benefit plan, hired prior to January 1, 2005, receive $200 for medical and 50% of dental and vision premiums. SEIU employees hired after January 1, 2005 do not receive any postretirement benefits. Eligible administrative employees (Certificated and Classified) receive 100% of the level provided to them at retirement. Currently the maximum subsidy provided is the two party premium for the CalPERS Blue Shield plan.

Once a retiree attains Medicare eligibility, they are provided with a minimum contribution of $101 from the District. The subsidy applies to all employment groups.

It should be noted that one Superintendent receives lifetime medical, dental, and vision insurance benefits for him and his spouse.

Annual OPEB Cost and Net OPEB Obligation

The District' annual other post employment 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 Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Districts annual OPEB cost of the year, the amount actually contributed to the plan, and changes in the District's net obligation to the Plan:

Annual required contribution	$ 938,000
Interest on net OPEB obligation	28,000
Adjustment to annual required contribution	(25,000)
Annual OPEB cost (expense)	941,000
Contribution made	(494,453)
Increase in net OPEB obligation	446,547
Net OPEB obligation, beginning of year	624,794
Net OPEB obligation, end of year	$ 1,071,341

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2011 was as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2011	$ 938,000	52.5%	$ 1,071,341

Funding Status and Funding Progress

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing 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 July 1, 2010 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

Medical cost trend rates ranged from 3.0% to 11% based on benefit. The UAAL is being amortized at a level dollar method with the remaining amortization period at July 1, 2010 of 27 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

N. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

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

O. Construction Commitments

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

	Commitment	Expected Date of Final Completion *
Construction in Process:		
Albany High School Pool	$ 2,200,000	December 2011

* Expected date of final completion subject to change

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

ALBANY UNIFIED SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Revenue Limit Sources:				
State Apportionments	$ 12,035,018	$ 13,419,229	$ 13,676,652	$ 257,423
Local Sources	6,434,490	6,057,621	5,974,359	(83,262)
Federal Revenue	5,143,981	7,560,919	7,651,169	90,250
Other State Revenue	16,471,278	17,321,502	17,315,970	(5,532)
Other Local Revenue	5,964,962	7,206,686	7,040,303	(166,383)
Total Revenues	46,049,729	51,565,957	51,658,453	92,496
Expenditures:				
Current:				
Certificated Salaries	16,481,934	17,324,196	17,285,860	38,336
Classified Salaries	3,660,390	4,064,693	4,043,536	21,157
Employee Benefits	7,613,252	7,710,441	7,631,138	79,303
Books And Supplies	1,117,918	1,977,876	1,434,464	543,412
Services And Other Operating Expenditures	2,841,778	3,831,396	3,061,925	769,471
Other Outgo	15,191,393	16,065,875	16,486,697	(420,822)
Direct Support/Indirect Costs	(135,324)	(316,529)	(131,470)	(185,059)
Total Expenditures	46,771,341	50,657,948	49,812,150	845,798
Excess (Deficiency) of Revenues Over (Under) Expenditures	(721,612)	908,009	1,846,303	938,294
Other Financing Sources (Uses):				
Transfers In	-	493,672	865,000	371,328
Transfers Out	-	(1,365,000)	(1,365,000)	-
Total Other Financing Sources (Uses)	-	(871,328)	(500,000)	371,328
Net Change in Fund Balance	(721,612)	36,681	1,346,303	1,309,622
Fund Balance, July 1	7,388,025	7,388,025	7,388,025	-
Fund Balance, June 30	$ 6,666,413	$ 7,424,706	$ 8,734,328	$ 1,309,622

ALBANY UNIFIED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Acturial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/09	$ -	$ 7,164,000	$ 7,164,000	-	$ 24,313,732	29.5%
6/30/10	-	7,505,000	7,505,000	-	25,080,000	29.9%
6/30/11	-	9,456,000	9,456,000	-	21,329,401	44.3%

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

ALBANY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
Cash in County Treasury	$ 489,000	$ 40,952	$ 529,952
Cash on Hand and in Banks	5,000	-	5,000
Accounts Receivable	143,899	6,490	150,389
Due from Other Funds	505,257	-	505,257
Stores Inventories	3,238	-	3,238
Prepaid Expenditures	6,405	-	6,405
Total Assets	$ 1,152,799	$ 47,442	$ 1,200,241
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ 91,379	$ 1,148	$ 92,527
Due to Other Funds	161,678	-	161,678
Total Liabilities	253,057	1,148	254,205
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	3,238	-	3,238
Prepaid Items	6,405	-	6,405
Committed Fund Balances:			
Committed for Other Purposes	770,554	-	770,554
Assigned Fund Balances	119,545	46,294	165,839
Total Fund Balance	899,742	46,294	946,036
Total Liabilities and Fund Balances	$ 1,152,799	$ 47,442	$ 1,200,241

ALBANY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Federal Revenue	$ 328,493	$ -	$ 328,493
Other State Revenue	1,011,829	-	1,011,829
Other Local Revenue	1,971,968	46,253	2,018,221
Total Revenues	3,312,290	46,253	3,358,543
Expenditures:			
Instruction	1,729,636	-	1,729,636
Instruction - Related Services	49,991	-	49,991
Pupil Services	828,097	-	828,097
Community Services	294,639	-	294,639
General Administration	131,470	-	131,470
Plant Services	420,359	14,557	434,916
Total Expenditures	3,454,192	14,557	3,468,749
Excess (Deficiency) of Revenues Over (Under) Expenditures	(141,902)	31,696	(110,206)
Other Financing Sources (Uses):			
Transfers In	1,085,000	-	1,085,000
Transfers Out	(585,000)	-	(585,000)
Total Other Financing Sources (Uses)	500,000	-	500,000
Net Change in Fund Balance	358,098	31,696	389,794
Fund Balance, July 1	541,644	14,598	556,242
Fund Balance, June 30	$ 899,742	$ 46,294	$ 946,036

ALBANY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011

	Adult Education Fund	Child Development Fund
ASSETS:		
Cash in County Treasury	$ 17,777	$ 131,693
Cash on Hand and in Banks	1,500	2,500
Accounts Receivable	80	70,923
Due from Other Funds	-	-
Stores Inventories	-	-
Prepaid Expenditures	-	-
Total Assets	$ 19,357	$ 205,116
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 2,437	$ 58,062
Due to Other Funds	12,306	113,377
Total Liabilities	14,743	171,439
Fund Balance:		
Nonspendable Fund Balances:		
Stores Inventories	-	-
Prepaid Items	-	-
Committed Fund Balances:		
Committed for Other Purposes	4,614	-
Assigned Fund Balances	-	33,677
Total Fund Balance	4,614	33,677
Total Liabilities and Fund Balances	$ 19,357	$ 205,116

Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
$ 53,044	$ 286,486	$ 489,000
1,000	-	5,000
72,364	532	143,899
5,257	500,000	505,257
3,238	-	3,238
6,405	-	6,405
$ 141,308	$ 787,018	$ 1,152,799
$ 14,416	$ 16,464	$ 91,379
35,995	-	161,678
50,411	16,464	253,057
3,238	-	3,238
6,405	-	6,405
-	770,554	775,168
81,254	-	114,931
90,897	770,554	899,742
$ 141,308	$ 787,018	$ 1,152,799

ALBANY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Adult Education Fund	Child Development Fund
Revenues:		
Federal Revenue	$ -	$ -
Other State Revenue	-	856,194
Other Local Revenue	174,944	1,251,378
Total Revenues	174,944	2,107,572
Expenditures:		
Instruction	99,143	1,630,493
Instruction - Related Services	49,991	-
Pupil Services	-	17,396
Community Services	-	294,639
General Administration	7,306	88,169
Plant Services	18,825	53,078
Total Expenditures	175,265	2,083,775
Excess (Deficiency) of Revenues Over (Under) Expenditures	(321)	23,797
Other Financing Sources (Uses):		
Transfers In	10,000	500,000
Transfers Out	(10,000)	(500,000)
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balance	(321)	23,797
Fund Balance, July 1	4,935	9,880
Fund Balance, June 30	$ 4,614	$ 33,677

Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
$ 328,493	$ -	$ 328,493
24,693	130,942	1,011,829
544,038	1,608	1,971,968
897,224	132,550	3,312,290
-	-	1,729,636
-	-	49,991
810,701	-	828,097
-	-	294,639
35,995	-	131,470
-	348,456	420,359
846,696	348,456	3,454,192
50,528	(215,906)	(141,902)
75,000	500,000	1,085,000
(75,000)	-	(585,000)
-	500,000	500,000
50,528	284,094	358,098
40,369	486,460	541,644
$ 90,897	$ 770,554	$ 899,742

ALBANY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2011

	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	$ 40,947	$ 5	$ 40,952
Accounts Receivable	6,494	(4)	6,490
Total Assets	$ 47,441	$ 1	$ 47,442
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ 1,148	$ -	$ 1,148
Total Liabilities	1,148	-	1,148
Fund Balance:			
Assigned Fund Balances	46,293	1	46,294
Total Fund Balance	46,293	1	46,294
Total Liabilities and Fund Balances	$ 47,441	$ 1	$ 47,442

ALBANY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	$ 46,252	$ 1	$ 46,253
Total Revenues	46,252	1	46,253
Expenditures:			
Plant Services	14,557	-	14,557
Total Expenditures	14,557	-	14,557
Excess (Deficiency) of Revenues Over (Under) Expenditures	31,695	1	31,696
Net Change in Fund Balance	31,695	1	31,696
Fund Balance, July 1	14,598	-	14,598
Fund Balance, June 30	$ 46,293	$ 1	$ 46,294

ALBANY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2011

	Erna C. Seeger Scholarship Trust Fund	Terry Corpus Memorial Scholarship Fund	Total Private-Purpose Trust Funds (See Exhibit A-7)
ASSETS:			
Cash on Hand and in Banks	$ 6,794	$ 453	$ 7,247
Total Assets	$ 6,794	$ 453	$ 7,247
LIABILITIES:			
Total Liabilities	-	-	-
NET ASSETS:			
Held in Trust	$ 6,794	$ 453	$ 7,247
Total Net Assets	$ 6,794	$ 453	$ 7,247

ALBANY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
ALL PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Erna C. Seeger Scholarship Trust Fund	Terry Corpus Memorial Scholarsh Fund	Total Private-Purpose Trust Funds (See Exhibit A-8)
Additions:			
Investment Income	$ 292	$ -	$ 292
Donations	-	250	250
Total Additions	292	250	542
Deductions:			
Scholarship Awards	1,500	1,000	2,500
Administrative Expenses	135	-	135
Total Deductions	1,635	1,000	2,635
Change in Net Assets	(1,343)	(750)	(2,093)
Net Assets-Beginning of the Year	8,137	1,203	9,340
Net Assets-End of the Year	$ 6,794	$ 453	$ 7,247

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

ALBANY UNIFIED SCHOOL DISTRICT
LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2011

The Albany Unified School District was established in the early 1950's and is comprised of an area of approximately one square mile. There were no changes to the boundaries of the District during the current year. The District serves the City of Albany and offers instruction for grades K-12. The Albany Unified School District is currently operating three elementary schools, one middle school, one comprehensive high school, one continuation high school, one adult school, and one child development program.

Governing Board

Name	Office	Term and Term Expiration
Patricia Low	President	Four year term Expires November 2012
Paul Black	Vice President	Eighteen month term Expires November 2014
Ronald Rosenbaum	Member	Four year term Expires November 2012
Jonathan Knight	Member	Four year term Expires November 2014
Allan Maris	Member	Four year term Expires November 2014

Administration

Marla Stephenson
Superintendent

Laurie Harden
Associate Superintendent
Business Services

Marsha Brown
Director III Student Services

Diane Marie
Director of Student Services

Heather Carver
Director of Technology

ALBANY UNIFIED SCHOOL DISTRICT

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2011

	Second Period Report *		Annual Report *	
	Original	Revised	Original	Revised
Elementary:				
Kindergarten	262.79	262.79	266.75	266.75
Grades 1 through 3	795.76	795.76	808.79	808.79
Grades 4 through 6	809.16	809.16	826.25	826.25
Grades 7 and 8	571.07	571.07	582.49	582.49
Home and hospital	0.12	0.12	0.26	0.26
Special education	35.77	35.77	36.66	36.66
Elementary totals	2,474.67	2,474.67	2,521.20	2,521.20
High School:				
Grades 9 through 12, regular classes	1,141.88	1,141.88	1,131.45	1,131.45
Home and hospital	0.76	0.76	1.79	1.79
Special education	30.29	30.29	28.16	28.16
Continuation education	33.76	33.76	35.62	35.62
High school totals	1,206.69	1,206.69	1,197.02	1,197.02
ADA totals	3,681.36	3,681.36	3,718.22	3,718.22

* There were no revisions to the originally filed attendance reports.

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.

ALBANY UNIFIED SCHOOL DISTRICT

TABLE D-2

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2011

Grade Level	1982-83 Actual Minutes	1982-83 Adjusted & Reduced	1986-87 Minutes Requirement	1986-87 Adjusted & Reduced	2010-11 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	32,320	N/A	36,000	N/A	36,000	180	-	Complied
Grade 1	50,120	N/A	50,400	N/A	53,050	180	-	Complied
Grade 2	50,120	N/A	50,400	N/A	53,050	180	-	Complied
Grade 3	50,120	N/A	50,400	N/A	53,050	180	-	Complied
Grade 4	50,120	N/A	54,000	N/A	54,725	180	-	Complied
Grade 5	50,120	N/A	54,000	N/A	54,725	180	-	Complied
Grade 6	51,890	N/A	54,000	N/A	55,720	180	-	Complied
Grade 7	51,890	N/A	54,000	N/A	55,720	180	-	Complied
Grade 8	51,890	N/A	54,000	N/A	55,720	180	-	Complied
Grade 9	63,624	N/A	64,800	N/A	65,168	180	-	Complied
Grade 10	63,624	N/A	64,800	N/A	65,168	180	-	Complied
Grade 11	63,624	N/A	64,800	N/A	65,168	180	-	Complied
Grade 12	63,624	N/A	64,800	N/A	65,168	180	-	Complied

Districts, including basic aid districts, must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201. This schedule is required of all districts, including basic aid districts.

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 instruction time offered by the district and whether the district complied with the provisions of Education Code Sections 46200 through 46206.

ALBANY UNIFIED SCHOOL DISTRICT

TABLE D-3

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2011

General Fund	(Budget) 2012	2011	2010	2009
Revenues and other financial sources	$ 32,490,832	$ 52,513,682	$ 49,263,398	$ 51,130,372
Expenditures, other uses and transfers out	33,407,751	50,897,150	50,383,890	49,970,310
Change in fund balance (deficit)	(916,919)	1,616,532	(1,120,492)	1,160,062
Ending fund balance	$ 5,490,273	$ 6,407,192	$ 4,790,660	$ 5,911,151
Available reserves	$ 5,465,273	$ 6,302,278	$ 4,765,659	$ 5,405,197
Available reserves as a percentage of total outgo	16.3%	12.3%	9.0%	10.8%
Total long-term debt	$ 42,827,462	$ 44,139,320	$ 45,509,631	$ 35,959,648
Average daily attendance at P-2	3,695	3,681	3,667	3,875

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

The general fund balance has increased by $1,656,102 over the past three years. The fiscal year 2011-12 budget projects a decrease of $916,919. For a district this size, the state recommends available reserves of at least 1% of general fund expenditures, other uses and transfers out.

Long-term debt has increased by $7,180,320 over the past three years.

Average daily attendance (ADA) has increased by 50 over the past three years.

Note- As described in Footnote A to these financial statements, for purposes of reporting in conformity with GASB Statement #54, the District's special reserve funds (fund 17 & 20) were included with the general fund. The above Schedule of Financial Trends and Anaylsis contains only the financial information of the general fund.

ALBANY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

	General Fund	Special Reserve Fund (17)
June 30, 2011, annual financial and budget report fund balances	$ 6,407,192	$ 1,123,258
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
GASB # 54 required combined with general fund	2,327,136	(1,123,258)
June 30, 2011, audited financial statement fund balances	$ 8,734,328	$ -

	Schedule of Long-Term Debt
June 30, 2011, annual financial and budget report total liabilities	$ 34,753,389
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
General obligation bonds understatement	14,475,104
Bond premiums understated	507,979
Net OPEB obligation overstatement	(5,321,812)
Compensated absences overstatement	(275,340)
Net adjustments and reclassifications	9,385,931
June 30, 2011, audited financial statement total liabilities	$ 44,139,320

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

TABLE D-4

Special Reserve Fund (20)
$ 1,203,878
(1,203,878)
$ -

ALBANY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2011

No charter schools are chartered by Albany Unified School District.

Charter Schools	Included In Audit?
None	N/A

ALBANY UNIFIED SCHOOL DISTRICT

TABLE D-6

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
Title I *	84.010	14329	$ 183,307
Special Education *	84.027	13379	4,418,591
Special Education IDEA Preschool *	84.027A	13682	209,048
Title II - Teacher Quality	84.164	14341	80,260
Special Education IDEA Preschool Grants *	84.173	13430	119,880
Special Education IDEA Preschool Staff Development *	84.173A	13431	2,683
Special Education IDEA Early Intervention *	84.181	23761	131,600
Title IV Drug Free Schools	84.186	14347	16,931
Title III - LEP	84.365	10084	107,132
Title III Immigrant Education	84.365	14346	44,164
ARRA Title II EETT *	84.386	15019	3,533
ARRA Special Education IDEA Basic Local Assistance *	84.391	15003	1,598,012
ARRA Special Education Preschool *	84.391	15002	63,908
ARRA Special Education IDEA Preschool Grants *	84.392	15000	48,553
ARRA State Fiscal Stabilization *	84.394	24997	226,356
ARRA Education Jobs Fund	84.410	25152	397,201
Total Passed Through State Department of Education			7,651,159
Total U. S. Department of Education			7,651,159
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	13396	328,494
Total U. S. Department of Agriculture			328,494
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 7,979,653

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Albany Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Other Independent Auditor's Reports

WILKINSON HADLEY KING & CO. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, California 92020

Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Albany Unified School District
Albany, California

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Albany Unified School District as of and for the year ended June 30, 2011, which collectively comprise the Albany Unified School District's basic financial statements and have issued our report thereon dated October 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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

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

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Albany Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2011-1.

Albany Unified School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Albany Unified School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King & Co. LLP

El Cajon, California
October 26, 2011

WILKINSON HADLEY KING & CO. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, California 92020

Independent Auditor's Report

Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

Board of Trustees
Albany Unified School District
Albany, California

Members of the Board of Trustees:

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

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

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

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

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

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

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King & Co. LLP

El Cajon, California
October 26, 2011

WILKINSON HADLEY KING & CO. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, California 92020

Independent Auditor's Report

Report on State Compliance

Board of Trustees
Albany Unified School District
Albany, California

Members of the Board of Trustees:

We have audited the basic financial statements of the Albany Unified School District ("District") as of and for the year ended June 30, 2011 and have issued our report thereon dated October 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have also audited the District's compliance with the requirements specified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11*, published by the Education Audit Appeals Panel, applicable to the District's statutory requirements identified below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The auditing standards referred to above require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the state laws and regulations applicable to the items in the schedule below occured. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Description	Procedures In Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	N/A
Continuation Education	10	No
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	N/A
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes

Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	N/A
Only One School Serving Grades K-3	4	N/A
After School Education and Safety Program:		
General Requirements	4	N/A
After School	4	N/A
Before School	5	N/A
Contemporaneous Records of Attendance, For Charter Schools	1	N/A
Mode of Instruction, For Charter Schools	1	N/A
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	N/A
Determination of Funding for Nonclassroom-Based Instruction, For Charter Schools	3	N/A
Annual Instructional Minutes - Classroom Based, For Charter Schools	3	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We did not perform testing for continuation education as the ADA for continuation education was below the level that required testing.

In our opinion, Albany Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2011.

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

Wilkinson Hadley King & Co. LLP

El Cajon, California
October 26, 2011

Findings and Recommendations Section

ALBANY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unqualified			
Internal control over financial reporting:				
One or more material weaknesses identified?	___	Yes	X	No
One or more significant deficiencies identified that are are not considered to be material weaknesses?	X	Yes	___	None Reported
Noncompliance material to financial statements noted?	___	Yes	X	No

2. Federal Awards

Internal control over major programs:				
One or more material weaknesses identified?	___	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	___	Yes	X	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	___	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173, 84.391 84.392, 84.027A, 84.173A	Special Education Cluster
84.410	ARRA Education Jobs Fund

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

3. State Awards

Internal control over state programs:

One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are are not considered to be material weaknesses?	____	Yes	X	None Reported

Type of auditor's report issued on compliance for state programs: Unqualified

B. Financial Statement Findings

Finding 2011-1 (30000)
Child Development Fund
General Child Care & Development Programs (Contract CCTR0002)

Criteria or Specific Requirement
Determine that controls are in place that will ensure all expenditures and attendance information is properly recorded and reported on the Attendance and Fiscal Report for Child Development Programs.

Condition
In our examination of the attendance reported in the June 30, 2011 Attendance and Fiscal Report forcontract CCTR0002, we noted the number of child days of enrollment (CDE) was overstated for the month of June. It appears that the number of CDE's for each student were incorrectly reported as 22 when the program was only in operation for eight (8) days for the month of June. This error resulted in an overstatement of CDE's of approximately 3,187.

Questioned Costs
Overstatement of approximately 3,187 child days of enrollment (CDE).

Recommendation
We recommend the District file an amended June 30, 2011 Attendance and Fiscal Report for Child Development Programs, contract CCTR0002, and report the correct actual CDE for the program. After the report is filed with the California Department of Education a revised Final Earnings Calculation report will be provided the District. In addition, we recommend a procedure be implemented that will allow for a review of both the fiscal and attendance information submitted to ensure the correct data is provided the California Department of Education.

LEA's Response

The incorrect reporting of CDE's for the CCTR program for the month of June 2011 was a direct result of the implementation of our new attendance and administrative software for our Child Development program which occurred during the fiscal year. During implementation the correct calendar was not applied to the CCTR program for the month of June. To assure this error does not happen again, the Albany Unified School District has created a three-step procedure to verify each month that the number of days in operation reported from the system matches the number of actual days in operation. The following is the new procedure to verify CDE's are reported correctly: First, once the calendar for the new school year is created, as part of the application process for each program, the approved calendar will be entered in the software system. Second, each month when the Child Development program sends the attendance data for the prior month to the Business Office, the Business Office will verify the number of days in operation matches the calendar approved by the State. Third, prior to each quarterly Attendance and Fiscal report sent to the State, the Business Office will verify the number of days in operation reported from the system will match the number of days reported on the State report.

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

NONE

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
Finding 2010-1 (30000) Expenditures In our examination of expenditures, we noted several instances where there was no approval signature indicating the expenditure had been reviewed and approved for payment. In addition, we noted in 22 of 47 expenditures tested, the purchase order on file was dated after the invoice. Education code requires that all expenditures be properly approved prior to the item being ordered and paid for. We recommend procedures be implemented that will ensure all purchases have a proper purchase order on file prior to the purchase and all expenditures must have a proper approval for payment prior to the actual disbursement.	Implemented	
Finding 2010-2 (30000) Cafeteria Fund Cash Receipts. In our examination of cafeteria cash receipts at the school sites, we noted there is no procedure currently in place that requires the individual at the school site who counts the daily cash and verifies the count to sign as verification of the amount being submitted to the district office. In addition, at the district office, there is no procedure in place to document that the cash submitted from the school sites agrees to the cash received. We recommend the district implement a procedure that will require the individual who counts the daily cash at the school site and the individual who verifies the cash to sign as verification of the amount being submitted to the district office. In addition, we recommend that when the cash is received at the district office it should be counted, verified, and noted with a signature.	Implemented	

APPENDIX B

GENERAL AND FINANCIAL INFORMATION FOR THE ALBANY UNIFIED SCHOOL DISTRICT

GENERAL DISTRICT INFORMATION

The information in this and other sections concerning the District's operations and operating budget is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Refunding Bonds is payable from the general fund of the District. The Refunding Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "THE REFUNDING BONDS –Security for the Refunding Bonds" in the front half of the Official Statement.

General Information

The District serves the City of Albany, which is located in Alameda County on the eastern shore of the San Francisco Bay, bordering the city of Berkeley to the south and east, and the cities of El Cerrito and Richmond to the north. The District's area is coterminous with the City, which consists of an area of approximately 1.8 square miles. The District provides educational (K-12) services and operates 3 elementary schools, 1 middle school, one comprehensive high school and one alternative high school. Albany High School is known as one of the best public schools in the San Francisco Bay Area for its academic excellence, with a graduation rate of 98.4 percent in 2010-11. Enrollment in the District is 3,803 students in fiscal year 2011-12. The District's revenues include voter approved parcel taxes, as described herein under "DISTRICT FINANCIAL INFORMATION - State Funding of Education and Revenue Limits – Other Local Revenues."

Administration

Board of Education. The District is governed by a five-member Board of Education, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board of Education, together with their office and the date their term expires, are listed below:

Name	Office	Term Expires
Paul Black	President	November 2014
Jonathan Knight	Vice President	November 2014
Dr. Patricia Low	Member	November 2012
Allan Maris	Member	November 2014
Ronald Rosenbaum	Member	November 2012

Superintendent and Administrative Personnel. The day-to-day operations are managed by a board-appointed Superintendent of Schools. Marla Stephenson is currently serving as Superintendent, and Laurie Harden is the Associate Superintendent, Business Services. Brief biographies are as follows:

Marla Stephenson, Superintendent. Marla Stephenson has served the District as an administrator for fourteen years, serving for four years as Principal at the District's middle school, five years as Associate Superintendent of Personnel and Curriculum, and for the last four years as District Superintendent. Prior to joining the District, Ms. Stephenson was a school administrator in St. Helena and Woodland.

Laurie Harden, Associate Superintendent, Business Services. Laurie Harden has been a school business official for over twenty-three years. Ms. Harden has served the District in this capacity for the last four years. Prior to that time, she held business official positions at Templeton Unified School District and Mill Valley School District.

Recent Enrollment Trends

The following table shows enrollment history for the District for the last seven fiscal years, with an estimate for fiscal years 2011-12.

ANNUAL ENROLLMENT
Fiscal Years 2004-05 through 2011-12
Albany Unified School District

School Year	Enrollment	Change	% Change
2004-05	3,423	--	--
2005-06	3,598	175	5.1
2006-07	3,652	54	1.5
2007-08	3,810	158	4.3
2008-09	3,838	28	0.7
2009-10	3,807	(31)	(0.8)
2010-11	3,879	72	1.9
2011-12(1)	3,803	(76)	(1.9)

(1) Projected.
Source: California Department of Education for 2004-05 through 2010-11; District for 2011-12.

Employee Relations

The following table sets forth the District's collective bargaining agents for District employees and the current status of the contract with the District.

Bargaining Unit	Type and Number of Employees	Date of Contract Expiration
Albany Teachers Assn.	242 Certificated (Non-Management)	June 30, 2012
CA Schools Employees Assn.	126 Classified	June 30, 2012
Service Emp.'s International Union	40 Custodian/Mainten./Food Svc./Transp.	June 30, 2012
Total	408 Employees	

District Retirement Systems

The District participates in the State of California Teacher's Retirement System ("**STRS**"). This plan covers basically all full-time certificated employees. Active plan members are required to contribute 8.0% of their salary and the District is to contribute an actuarially determined rate, which was 8.25% of payroll for the 2010-11 fiscal year. The District's contribution to STRS for fiscal year 2009-10 was $1,356,410, for fiscal year 2010-11 was $1,406,431, and for fiscal year 2011-12, $1,340,290 is projected (2nd Interim Report).

The District also participates in the State of California Public Employees' Retirement System ("**PERS**"). This plan covers all classified personnel who are employed four or more hours per day. Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate, which is 10.923% of annual payroll for 2011-12. The District's contribution to STRS for fiscal year 2009-10 was $530,457, for fiscal year 2010-11 was $603,521, and for fiscal year 2011-12, $516,093 is budgeted (2nd Interim Report).

Both the PERS and STRS systems are operated on a statewide basis. District contribution rates to these two retirement systems vary annually depending on changes in actuarial assumptions and other factors, such as liability. STRS has a substantial State unfunded liability. Since this liability has not been broken down by the state agency, information is not available showing the District's share.

Other Post-Employment Retirement Benefits

Plan Description. The District administers a single-employer defined benefit healthcare plan (the "**Retiree Health Plan**"). The Retiree Health Plan provides post-employment benefits for eligible participants enrolled in the PERS plans. The benefits are provided in the form of an explicit subsidy where the District contributes towards the retiree health premiums. Eligibility is as follows:

> <u>Albany Teachers Association (ATA)</u>: Employees must be age 55 with at least 10 years of service in the District and retiring to the STRS or PERS plan.
>
> <u>Administrators (Certificated/Classified)</u>: Certificated employees must be age 55 with at least 7 years of service in order to be eligible for benefits. Classified employees must be age 50 with at least 7 years of service in order to be eligible for benefits. All employees must be currently drawing from STRS or PERS. As of July 1, 2008, eligibility for classified employees has changed to age 55 and 7 years of service.
>
> <u>California School Employees Association (CSEA)</u>: Employees must be 58 with 15 years of service in the District and retiring from a public retirement system such as PERS or STRS. Effective July 1, 2012, employees must be age 60 with 15 years of District service.
>
> <u>Service Employees International Union (SEIU)</u>: Employees must be either (i) at least age 55 with 15 years of District service and participating in the District's health, dental and vision programs or (ii) employees must be either at least age 60 with 10 years of District service and participating in the District's health, dental and vision programs. Hires after January 1, 2005 are not eligible.

Contribution Information. For ATA and CSEA eligible retirees and their spouses, the District pays 100% of the premium for medical, dental and vision coverage. For SEIU, eligible retirees and spouses receive varying benefits based on the plan option. Administrators receive 100% of the level provided to them at retirement. Once eligible for Medicare, the retiree is provided with a contribution of $101 from the District.

Annual OPEB Cost and Net OPEB Obligation. 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 the Governmental Accounting Standards Board ("**GASB**") Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities ("**UAAL**") (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in its OPEB obligation.

Annual required contribution ("ARC")	$938,000
Interest on net OPEB obligation	28,000
Adjustment to ARC	(25,000)
Annual OPEB cost (expense)	941,000
Contributions made	(494,453)
Change in net OPEB obligation	446,547
Net OPEB obligation- beginning of year	624,794
Net OPEB obligation- end of year	$1,071,341

The District's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal years 2008-09 through 2010-11 is as follows:

Fiscal Year	Annual Required Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	$763,000	38.6%	$294,468
2009-10	799,000	58.7	624,794
2010-11	941,000	52.2	1,071,341

For a description of the actuarial methods and assumptions used, see "APPENDIX A – ALBANY UNIFIED SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2010-11 - Note M – Post-employment Benefits Other than Pension Benefits."

Insurance

The District participates in two joint ventures under joint powers agreements ("**JPA**"s), the Alameda County Schools Insurance Group and the Schools Excess Liability Fund public risk pool. The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes. The JPA's arrange for and provide various types of insurance for their member districts as requested. Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the governing boards. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA. For condensed financial information about the JPAs see "APPENDIX A – ALBANY UNIFIED SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2010-11 - Note K – Joint Ventures (Joint Powers Agreements)."

DISTRICT FINANCIAL INFORMATION

The information in this and other sections concerning the District's operations and operating budget is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Refunding Bonds is payable from the general fund of the District. The Refunding Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. The financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities. The major fund classification is the general fund which accounts for all financial resources not required to be accounted for in another fund. The District's fiscal year begins on July 1 and ends on June 30.

All governmental funds and fiduciary funds are maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, that is, both measurable and available to finance expenditures for the current period. For more information on the District's accounting method, see Note 1 of "APPENDIX A – ALBANY UNIFIED SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2010-11" attached hereto.

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

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's Audited Financial Statements for the fiscal year ending fiscal year 2010-11 were prepared by Wilkinson Hadley King & Co. LLP, El Cajon, California (the "**Auditor**"). Audited financial statements for the District for the fiscal year ended June 30, 2011 and prior fiscal years are on file with the District and available for public inspection at the Superintendent's Office. See Appendix A hereto for the 2010-11 Audited Financial Statements of the District. The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this

Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the District.

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited general fund income and expense statements for the District for the fiscal years 2007-08 through 2010-11.

ALBANY UNIFIED SCHOOL DISTRICT
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2007-08 through 2010-11 (Audited)

	Audited 2007-08	**Audited 2008-09**	**Audited 2009-10**	**Audited 2010-11**
Revenues				
Revenue Limit Sources:				
State aid	$ 15,728,881	$15,114,584	$12,428,486	$13,676,652
Property taxes	5,677,477	5,951,324	6,193,640	5,974,359
Total revenue limit	21,406,358	21,065,908	18,622,126	19,651,011
Federal revenue	4,966,586	7,310,145	7,965,255	7,651,169
Other State revenue	17,132,187	16,432,306	16,752,876	17,315,970
Other local revenue(1)	5,322,830	5,730,947	5,923,140	7,040,303
Total Revenues	48,827,961	50,539,306	49,263,397	51,658,453
Expenditures				
Instruction	22,214,752	22,309,362	21,400,188	22,604,771
Instruction-related services	4,315,171	4,205,701	3,544,828	3,598,583
Pupil support services	1,583,789	1,497,115	1,318,713	1,282,496
Ancillary services	442,491	409,965	310,270	356,360
Community services	233,470	138,593	--	--
General administration services	2,037,355	2,233,989	2,462,076	2,849,098
Plant services	2,625,524	2,388,679	2,302,632	2,634,145
Other outgo	15,059,075	16,112,471	17,395,182	16,486,697
Debt service: principal	46,500	29,000	--	--
Total Expenditures	48,558,127	49,324,875	48,733,889	49,812,150
Excess of Revenues Over/(Under) Expenditures	269,834	1,214,431	529,508	1,846,303
Other Financing Sources (Uses)				
Transfers in	--	71,637	--	865,000
Transfers out	(483,137)	(645,435)	(1,650,000)	(1,365,000)
Other sources		38,475	--	--
Total Other Fin. Source(Uses)	(483,137)	(535,323)	(1,650,000)	(500,000)
Net change in fund balance	(213,303)	679,108	(1,120,492)	1,346,303
Fund Balance, July 1	4,964,392	4,751,089	5,911,151*	7,388,025*
Fund Balance, June 30	$4,751,089	$5,430,197	$4,790,659	8,734,328

**Beginning balance as restated. Restatement of beginning balances due to ABX 4 flexibility in use of categorical funding and GASB 54 adjustments and reclassifications.*
(1) Consists largely of voter-approved parcel taxes. See "State Funding of Education and Revenue Limits – Other Local Revenue" herein.
Source: Albany Unified School District Audited Financial Statements.

District's Estimated Actual and Budget Figures. The following table shows the budgeted figures for fiscal year 2011-12, a well as the projections for 2011-12 based on the Second Interim Report. The budget and First Interim Report presentations differ from the audit reports; for budgeting purposes expenses are presented by object, not function.

ALBANY UNIFIED SCHOOL DISTRICT
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For Fiscal Years Ended June 30, 2012 (Adopted Budget and 2nd Interim Projections)

	Adopted Budget 2011-12	Projections 2011-12
REVENUES		
Revenue Limit Sources	$19,816,942	$19,712,072
Federal	985,807	1,306,870
Other State	5,600,355	5,956,298
Other Local	6,087,728	6,870,293
Total Revenues	32,490,832	33,845,533
EXPENDITURES		
Certificated Salaries	16,897,638	17,087,447
Classified Salaries	4,174,719	4,221,246
Employee Benefits	8,581,986	8,277,716
Books and Supplies	863,712	1,768,985
Services, other operating expenses	2,886,696	3,916,116
Capital Outlay	--	--
Other Outgo	--	506,060
Other Outgo- Transfers of Indirect Costs	(127,000)	(188,000)
Total Expenditures	33,277,751	35,589,570
Revenues Over (Under) Expends	(786,919)	(1,744,037)
OTHER FINANCING SOURCES (USES)		
Operating Transfers In	--	250,000
Operating Transfers Out	(130,000)	--
Net Financing Sources (Uses)	(130,000)	250,000
Net Change in Fund Balance	(916,919)	(1,494,037)
Fund Balance, July 1 (1)	5,061,808	6,407,196
Fund Balance, June 30	$4,144,889	$4,913,159

(1) Ending balance in 2010-11 Audit is $8,734,328. Beginning balance as of the budget/2nd Interim adoption date has been adjusted to $6,407,196 due to adjustments and reclassifications required by GASB 54. See page 48 of District Audited Financial Statement for Fiscal Year 2010-11 attached hereto as Appendix A.
Source: Albany Unified School District.

Addressing State Reductions in Education Funding; District Reserves

The District actively monitors the potential impacts that reductions in State funding due to recent State budgeting difficulties may have on the District. The District has incorporated into its multi-year projections the possible effects in reductions in education spending at the State level should the Governor's November, 2012 ballot measure fail. If this were to occur, the District projects a loss of approximately $370 per ADA in 2012-13, and expects to immediately address reductions in fiscal year 2013-14.

The District is required by the California Department of Education to maintain a reserve for economic uncertainties of 3 percent. As of the Second Interim Report, the District reserve was funded at 13.73% percent.

District Budget and Interim Financial Reporting

Budgeting the Interim Reporting Procedures. State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Alameda County Superintendent of Schools (the **"County Superintendent"**).

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than October 13. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

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

A State law adopted in 1991 (**"A.B. 1200"**) imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable.

District's Budget Approval/Disapproval and Certification History. During the past five years, each of the District's adopted budgets have been approved by the County Superintendent and the District has received positive certifications on all of its interim reports.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at 1051 Monroe Street, Albany, California 94706, Phone: (510) 558-3750. The District may impose charges for copying, mailing and handling.

General Long-Term Debt

General Obligation Bonds. The voters in the District have approved the following general obligation bond authorizations:

Election Date	Amount of Bond Authorization
March 2, 1993	$31,600,000
November 2, 2004	13,000,000
February 5, 2008	10,000,000

The outstanding general obligation bonds and refunding general obligation bonds of the District are as follows (excluding the Refunding Bonds being issued):

Issue Date	Bond Issue	Original Principal Amount	Outstanding 3/1/2012
10/18/2001	2001 General Obligation Refunding Bonds*	$11,390,000	$5,565,000
02/01/2004	General Obligation Bonds, Election of 1993, Series G*	4,600,000	3,785,000
07/01/2004	2004 General Obligation Refunding Bonds*	4,300,000	2,905,000
08/17/2005	General Obligation Bonds, Election of 2004, Series A*	7,500,000	7,045,000
08/08/2006	General Obligation Bonds, Election of 2004, Series B	5,500,000	5,015,000
07/10/2009	2009 General Obligation Refunding Bonds	7,290,000	6,725,000
07/10/2009	General Obligation Bonds, Election of 2008, Series A	10,000,000	10,000,000
Total		$50,580,000	$41,040,000

*All or some maturities of such bonds are expected to be refunded with the proceeds of the Refunding Bonds described herein. Outstanding amounts do not take into account the bonds to be refunded. See "THE REFINANCING PLAN."

Short Term Borrowing

The District does not currently have any short-term debt outstanding.

State Funding of Education and Revenue Limitations

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit per unit of average daily attendance (**"ADA"**). Such apportionments will, generally speaking, amount to the difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among California school districts.

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

A following table summarizes the current and historical ADA for the District.

ALBANY UNIFIED SCHOOL DISTRICT
AVERAGE DAILY ATTENDANCE
Fiscal Years 2005-06 through 2012-13 (projected)

Fiscal Year	P-2 ADA	Percent Change
2005-06	3,476	--
2006-07	3,507	0.9
2007-08	3,665	4.5
2008-09	3,701	1.0
2009-10	3,667	(0.9)
2010-11	3,681	0.4
2011-12(1)	3,651	(0.8)
2012-13(2)	3,651	0.0

(1) Estimated.
(2) Projected.
Source: Albany Unified School District.

The District is a "Revenue Limit District" (not a "Basic Aid District"), and therefore receives a statutory base revenue limit per ADA under the State's revenue limit formula. The District's base revenue limit per ADA is estimated to be $3,681 per ADA for 2011-12. Decreases in State revenues and funding of education may affect appropriations made by the Legislature to school districts.

Revenue Sources

The District categorizes its general fund revenues into four sources:

ALBANY UNIFIED SCHOOL DISTRICT
District Revenue Sources

	Percentage of Total District General Fund Revenues			
Revenue Source	2008-09	2009-10	2010-11	2011-12*
Revenue limit sources	41.7%	37.8%	38.0%	58.2%
Federal revenues	14.5	16.2	14.8	3.8
Other State revenues	32.5	34.0	33.5	17.5
Other local revenues(1)	11.3	12.0	13.6	20.3

* Second Interim Report Projections. The Second Interim Projections set forth an expected decline of over 10 percent in federal revenue sources, and 15 percent decline in Other State Funding sources in the General Fund. These declines are attributable to Special Education Local Plan Area Funds which commending in 2011-12 are deposited in Fund 10 to be used exclusively for educationally related mental health services for the 2011-12 and 2012-13 fiscal years.
(1) A significant source of local revenue in the District is voter-approved parcel taxes. See below under the heading "Other Local Revenue – Parcel Tax Revenue."
Source: Albany Unified School District.

Each of these revenue sources is described below.

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying (1) the average daily attendance for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. For fiscal year 2010-11, the District expects its receipt of revenue limit sources to comprise approximately 68.4% of total general fund revenues.

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

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

Federal Revenues. The federal government provides funding for several District programs, including special education entitlements and grants, programs under No Child Left Behind, and other federal revenue.

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

These other State revenues are primarily restricted revenues funding items such as home-to-school transportation, Economic Impact Aid, Special Education Transportation, and Class-Size Reduction.

The District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in lottery revenues over 1997-98 levels must be restricted to use on instructional materials. Lottery revenues generally comprise approximately 2% of general fund revenues.

Other Local Revenues. The District receives a significant amount of revenue from voter approved parcel taxes (described in greater detail below), as well as some additional local revenues from items such as interest earnings, leases and rentals, and other local sources.

> ***Parcel Tax Revenues.*** District voters have historically approved numerous parcel tax measures in the District. Currently, the District collects parcel tax revenues pursuant to Measure I and Measure J, both approved in November, 2009.
>
> <u>Parcel Tax - Measure I</u>. Measure I was approved on November 3, 2009 with a 75.83% affirmative vote. Measure I imposes a parcel tax of $149 per year on residential units and $0.03 per square foot on non-residential parcels, for a period of 5 years beginning July 1, 2010.
>
> <u>Parcel Tax - Measure J</u>. Measure J as approved on November 3, 2009 with a 76.68% affirmative vote. Measure J asked voters to combine three existing parcel taxes (previously approved in 1987, 1999 and 2005) into a single annual tax of $555 per residential unit and $0.11 per square foot on non-residential parcels, beginning July 1, 2010.

Together, revenues from Measure I and Measure J are expected to generate 17% of the District's general fund revenues in 2011-12.

Investment of District Funds

In accordance with Government Code Section 53600 *et seq*., the Alameda County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code.

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see "—State Funding of Education and Revenue Limitations" above). State funds typically make up the majority of a district's revenue limit. School districts also receive substantial funding from the State for various categorical programs.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS"), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process.

State Funding of Education and Recent State Budgets

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55 percent of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see "– State Funding of Education and Revenue Limitations" above). State funds typically make up the majority of a district's revenue limit. School districts also receive substantial funding from the State for various categorical programs.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2011-12 State Budget

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

According to a summary of the 2011-12 Budget released by the Department of Finance(the **"Department of Finance Report"**), the 2011-12 Budget sought to close a $26.6 billion deficit identified in the Governor's May Revise through a combination of measures totaling $27.2 billion. Specifically, the 2011-12 Budget included $15 billion of expenditure reductions, $900 million of targeted revenue increases, $2.9 billion of other measures and a positive adjustment to the State's revenue outlook totaling $8.3 billion.

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

The 2011-12 Budget projected an additional $4 billion in revenues during fiscal year 2011-12 and a plan to seek voter approval of a ballot measure, by November of 2012, which would protect public safety realignment and supplement the State's revenues. With the implementation of all measures, the 2011-12 Budget assumed, for fiscal year 2010-11, year-end revenues of $94.8 billion and expenditures of $91.5 billion and a 2010-11 ending budget deficit of $2 billion. Projected revenues for 2011-12 were $88.5 billion and authorized expenditures were $85.9 billion, with projections for an ending $543 million surplus.

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

The 2011-12 Budget also included decreases in Proposition 98 funding to $48.7 billion, including $32.8 billion from the State general fund, which reflected a decrease from the prior year of $1.1 billion. This decrease was a net figure reflective of all budgetary actions taken with respect to the State's share of Proposition 98 funding, including increases in baseline revenues, redirection of certain sales tax revenues related to the realignment of public safety programs, and the rebenching of the Proposition 98 minimum funding guarantee. The 2011-12 Budget also made a significant, one-time modification to State budgeting requirements for school districts, requiring them to project the same level of revenue per student in 2011-12 as in 2010-11, as well as to maintain staffing and program levels commensurate with such level of funding. A related provision of the 2011-12 Budget provided that school districts would only be required to budget for the current year, and will not be required to demonstrate that they can meet their financial obligations for the subsequent two fiscal years (2012-13 and 2013-14).

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

· *Apportionment Deferral.* An additional deferral of $1.2 billion in education spending in order to maintain programmatic funding at the fiscal year 2010-11 level.

· *Part-Day Preschool.* A decrease of $62.3 million to reflect a reduction of income eligibility levels to 70% of the State Median Income, and across-the-board reductions to provider contracts.

· *Charter Schools.* $11 million in supplemental categorical funding to charter schools that begin operations between 2008-09 and 2011-12.

· *Clean Technology and Renewable Energy Training.* $3.2 million of increased funding for clean technology and renewable energy job training, career technical education and the Dropout Prevention Program, each of which was designed to provide at-risk high school students with occupational training in areas such as conservation, renewable energy and pollution reduction.

· *Child Care and Development.* A decrease of $180.4 million to child care and development programs, including reductions to license-exempt provider rates, reductions of income eligibility levels to 70% of the State Median Income, and across-the-board reductions to provider contracts.

· *CALTIDES.* A decrease of $2.1 million to reflect elimination of funding for the California Longitudinal Teacher Integrated Data System (CALTIDES). Although the CALTIDES program was intended to provide a central State information depository regarding the teaching workforce, the 2011-12 Budget indicated the program is not a critical need.

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

November 16, 2011 LAO Report. The LAO report entitled "The 2012-13 Budget: California's Fiscal Outlook" estimated that State general fund revenues and transfers in 2011-12 would be $3.7 billion less than the levels assumed in the 2011-12 Budget. This revenue shortfall would translate into $2 billion of potential Tier 1 and Tier 2 Trigger Cuts (described above). The LAO estimated that the State would end 2011-12 with a $3 billion deficit, including the effects of the trigger cuts. The LAO forecasted that in 2012-13 the State would face increased costs due to the expiration of a number of temporary budget measures, a significant increase in Proposition 98 school costs under current law, the required repayment of a $2 billion Proposition 1A property tax loan used to help balance the budget in 2009, and other factors. The LAO projected a $10 billion operating shortfall in 2012-13.

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

2012-13 State Budget

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

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

If rejected by voters, the 2012-13 Proposed Budget specifies $5.4 billion in trigger cuts to take effect January 1, 2013 for K-12 schools and community colleges ($4.8 billion cut, likely eliminating three weeks of instruction from the school year), the University of California and California State University ($200 million cut), State courts ($125 million cut, equivalent to court closures of three days per month), Parks and Recreation and Fish and Game (number of safety officers and lifeguards decreased), Forestry and Fire Prevention (substantial reduction in firefighting capability and emergency air response program, closure of fire stations), Department of Water (flood control programs cut) and Department of Justice (law enforcement programs reduced).

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

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

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

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

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

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

2010 Legal Challenges to State Funding of Education

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Refunding Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111, 187 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Refunding Bonds. The tax levied by the County for payment of the Refunding Bonds was approved by the District's voters in compliance with Article XIIIA and all applicable laws.

Article XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness (which provided the authority for the issuance of the Refunded Bonds), and (iii) (as a result of an amendment to Article XIIIA approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation. The Prior Bonds to be refunded with the proceeds of the Refunding Bonds described in this Official Statement were approved by a two-thirds vote as described in (ii) of this paragraph.

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

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

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

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

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (**"unitary property"**). Under the State Constitution, such property is assessed by the State Board of Equalization (**"SBE"**) as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Constitutional Appropriations Limitation

Article XIIIB (**"Article XIIIB"**) of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIIIB, as amended.

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

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

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

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

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID (respectively, **"Article XIIIC"** and **"Article XIIID"**), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

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

Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

Proposition 218 does not affect the *ad valorem* property taxes to be levied by the County to pay debt service on the Refunding Bonds.

Proposition 62

A statutory initiative ("**Proposition 62**") was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the District be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Fresno County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of

Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The District has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

Proposition 98

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

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

Proposition 111

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

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

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

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

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

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

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

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Application of Constitutional and Statutory Provisions; Lawsuits

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL INFORMATION - State Funding of Education and Recent State Budgets." In addition, lawsuits have and may be filed from time to time challenging the existing system of public school finance. The District cannot predict the outcome of any such lawsuits.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 111 and 22 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

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APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORATION FOR THE CITY OF ALBANY AND ALAMEDA COUNTY

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

General

The City of Albany (the **"City"**) is located in Alameda County (the **"County"**) approximately 8 miles north of the City of Oakland (which is the County seat) and about 13 miles east of San Francisco. The City consists of a total area of 5.4 square miles, of which 1.8 square miles is land and the remaining area is water. With a mild climate, Albany enjoys "typical" San Francisco Bay Area weather, which most often is characterized by sunny but cool days and fog drifting in from the Golden Gate.

Organization and Services

The City was incorporated in 1908, and is a full service charter city operating under a Council-Administrator form of government. The City Council is comprised of five elected council members served by a full-time City Administrator and staff. The Mayor is selected annually from the sitting councilmembers and serves a one-year term. Councilmembers are elected at large for staggered four-year terms and are limited to two consecutive terms. The City Treasurer and the City Attorney are also elected positions.

The City provides municipal services related to police, fire protection, public works, parks and recreation, community development, and general City administration. In addition to general government activities, the City Council has financial accountability for the Police and Fire Relief and Pension Plan, the Public Facilities Financing Authority, and the Albany Municipal Services Joint Powers Authority. The City has established the Community Reinvestment Agency to promote economic development in the City.

Population

The City is currently estimated to have a population of approximately 18,622. The following table sets forth population statistics for the City and Alameda County since 2007.

CITY OF ALBANY AND COUNTY OF ALAMEDA
Population Estimates

Year	Albany	Alameda County	State of California
2007	16,357	1,519,250	37,463,609
2008	16,156	1,538,054	37,871,509
2009	16,898	1,557,749	38,255,508
2010	18,544	1,509,240	37,223,900
2011	18,622	1,521,157	37,510,766

Source: State Department of Finance estimates (as of January 1).

Commercial Activity

In 2009 the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2009 is not comparable to that of prior years.

A summary of historic taxable sales within the City and County during 2005 through 2009 is shown in the following tables. Annual figures are not available for 2010. During the first three quarters of calendar year 2010, the total taxable transactions in the City were $138.1 million, representing a 2.1% decrease from the total taxable transactions of $135.3 million that were reported in the City during the first three quarters of calendar year 2009.

CITY OF ALBANY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2005	270	$141,043	493	$176,362
2006	266	154,314	486	187,292
2007	271	159,051	522	190,004
2008	279	165,925	530	199,578
2009 (1)	352	155,606	509	186,960

(1) Not comparable to prior years. "Retail" category now includes "Food Services".
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable transactions during the first three quarters of calendar year 2010 in the County were reported to be $15.7 billion, a 5.3% increase over the total taxable transactions of $14.9 billion reported during the first three quarters of calendar year 2006. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions within the County is presented in the following table. Annual figures are not yet available for 2010.

COUNTY OF ALAMEDA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in thousands)

	Retail Stores		**Total All Outlets**	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2005	20,688	15,228,482	42,792	24,242,981
2006	20,090	15,656,414	41,951	25,223,384
2007	19,544	15,664,940	42,014	25,831,140
2008	20,186	14,547,749	41,783	23,862,957
2009 (1)	24,596	12,641,415	38,663	20,430,195

(1) Not comparable to prior years. "Retail" category now includes "Food Services".
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the County of Alameda, the State and the United States for the period 2006 through 2010.

COUNTY OF ALAMEDA
Effective Buying Income
As of January 1, 2006 through 2010

	2006	**2007**	**2008**	**2009**	**2010**
City of Albany	$51,851	$52,989	$54,174	$53,108	$50,838
Alameda County	53,171	54,688	55,987	67,997	54,734
California	46,275	48,203	48,952	49,736	47,177
United States	41,255	41,792	42,303	43,252	41,368

Source: The Nielsen Company (US), Inc.

Employment and Industry

The unemployment rate in the Oakland-Fremont-Hayward Metropolitan Division (the East Bay Counties) was 9.3 percent in the month of December, 2011, which is lower than a revised 9.5 percent in the month of November 2011, and below the December, 2010 estimate of 10.8 percent. This can be compared with the State's December, 2011 unadjusted unemployment rate of 10.9 percent and the national rate of 8.3 percent during the same period. The unemployment rate was also 9.3 percent in Alameda County and 9.3 percent in Contra Costa County in December, 2011.

OAKLAND-FREMONT-HAYWARD METROPOLITAN DIVISION
(ALAMEDA and CONTRA COSTA COUNTIES)
Civilian Labor Force, Employment and Unemployment; Employment by Industry
(Annual Averages)*

	2006	2007	2008	2009	2010
Civilian Labor Force (1)	1,247,300	1,262,000	1,281,300	1,285,800	1,277,900
Employment	1,192,800	1,202,900	1,202,600	1,152,300	1,133,700
Unemployment	54,500	59,000	78,700	133,500	144,200
Unemployment Rate	4.4%	4.7%	6.1%	10.4%	11.3%
Wage and Salary Employment: (2)					
Agriculture	1,500	1,500	1,400	1,400	1,500
Mining and Logging	1,200	1,200	1,200	1,200	1,200
Construction	73,300	71,700	64,900	53,500	47,600
Manufacturing	95,800	94,400	93,100	82,800	78,600
Wholesale Trade	48,800	48,700	47,600	43,700	42,100
Retail Trade	113,300	113,300	109,400	102,100	99,900
Transportation, Warehousing, Utilities	35,000	37,300	35,900	33,200	31,900
Information	30,100	29,000	27,800	25,300	23,900
Finance and Insurance	45,400	41,100	36,200	32,500	33,100
Real Estate and Rental and Leasing	18,200	17,000	16,500	15,500	15,300
Professional and Business Services	155,100	158,200	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
Federal Government	17,300	17,100	17,100	16,700	15,700
State Government	45,800	44,500	39,100	39,000	38,000
Local Government	118,900	122,300	121,100	116,900	113,300
Total, All Industries (3)	1,046,100	1,049,700	1,031,800	969,400	949,800

**Annual average not yet avaiable for calendar year 2011.*
(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

The following table shows the major employers in the City of Albany for fiscal year ending June 30, 2011, ranked by number of employees.

CITY OF ALBANY
Major Employers
(Ranked by Number of Employees)
As of June 30, 2011

Employer Name	Location	No. of Employees	Industry
1. Albany USD	Albany	365	Education
2. U.S. Dept. of Agr. and Research	Albany	255	Agriculture Research
3. Target Store	Albany	231	Department Store
4. Golden Gate Fields	Albany	230	Race Track
5. City of Albany	Albany	91	Government
6. St. Mary's College High School	Albany	70	School
7. Albany Ford Subaru	Albany	56	Automotive Dealer
8. CA Center for the Blind	Albany	52	Skills Assessment
9. Albany Bowl	Albany	50	Bowling
10. Safeway Store	Albany	45	Retail Grocery
11. U.S. Dept. of Forest Services	Albany	35	Forest Research
TOTAL		1,480*	

**Represents 17.64% of total City Employment.*
Source: City of Albany Comprehensive Annual Report for the Fiscal Year Ended June 30, 2011.

The following table shows the major employers in the County as of January 2012, listed in alphabetical order.

COUNTY OF ALAMEDA
Major Employers
(Listed alphabetically)
2012

Employer Name	Location	Industry
Alameda County Law Enforcement	Oakland	Sheriff
Alameda County Sheriff Dept	Pleasanton	Sheriff
Alta Bates Medical Ctr Inc	Berkeley	Hospitals
Alta Bates Summit Medical Ctr	Oakland	Hospitals
Bayer Corp	Berkeley	Drug Millers (Mfrs)
Berkeley Coin & Stamp	Berkeley	Coin Dealer
California State University- East Bay	Hayward	Schools
Children’s Hospital & Research	Oakland	Hospital
Clorox Technical Ctr	Pleasanton	Commercial Physical Research
East Bay Water	Oakland	Water & Sewage Companies-Utility
Kaiser Foundation Hospital	Oakland	Hospitals
Kaiser Permanente Hospital	Hayward	Hospitals
Lawrence Berkeley National Lab	Berkeley	Physicians & Surgeons
Lawrence Livermore Natl Lab	Livermore	Laboratories-Testing
New United Motor Manufacturing	Fremont	Automobile Parts & Supplies-Mfrs
Novartis	Emeryville	Pharmaceutical Preparation (Mfrs)
Novartis Vaccines & Dgnstcs	Emeryville	Biological Products (Manufacturers)
Permanente Medical Group	Hayward	Physicians & Surgeons
Residential & Student Svc Prog	Berkeley	Schools-Universities & Colleges Academic
Sandia National Laboratories	Livermore	Laboratories-Research & Development
Sheriff's Ofc Law Enforcement	Oakland	Sheriff
Transportation Dept-California	Oakland	State Government-Transportation Programs
U C Berkeley Extension	Berkeley	Schools-Universities & Colleges Academic
Washington Hospital Hlthcre	Fremont	Hospitals
Western Digital	Fremont	Telecommunications Services

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

Construction Activity

Provided below are the building permits and valuations for the County of Alameda for calendar years 2006 through 2010.

COUNTY OF ALAMEDA
Total Building Permit Valuations
(Valuations in Thousands)

	2006	2007	2008	2009	2010
Permit Valuation					
New Single-family	$545,570.9	$424,009.7	$238,743.0	$227,982.5	$276,660.5
New Multi-family	626,797.5	315,894.0	201,122.3	96,518.0	157,459.3
Res. Alterations/Additions	357,113.0	339,842.5	285,782.4	229,873.2	243,389.9
Total Residential	$1,529,481.4	$1,079,746.3	$725,647.7	554,373.7	677,409.6
New Commercial	237,780.4	219,825.1	197,181.1	72,055.6	14,689.1
New Industrial	23,350.6	65,661.4	60,200.0	89,535.4	82,475.8
New Other	93,070.1	102,269.9	95,640.7	45,100.3	69,060.1
Com. Alterations/Additions	461,992.7	503,015.7	457,412.5	391,295.8	398,430.5
Total Nonresidential	$816,193.8	$890,772.1	$810,434.3	597,987.1	564,655.4
New Dwelling Units					
Single Family	1,681	1,340	761	802	907
Multiple Family	4,035	1,911	1,296	536	936
TOTAL	5,716	3,251	2,057	1,338	1,843

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

The San Francisco Bay Area's network of freeways and expressways gives Albany access to regional, national and international markets. Interstate Highway 80 passes through Albany. Interstate 580 passes near Albany.

The Bay Area Rapid Transit (BART) commuter rail provides high speed transportation through Alameda, Contra Costa and San Francisco Counties.

Oakland International Airport is located less than twenty miles from Albany and is served by most major domestic and international carriers. In addition to regularly scheduled passenger airlines, the airport provides substantial aircraft maintenance and overhauling services.

Education

Public education for students in grades K-12 is provided by the Albany Unified School District. The City is served by three elementary schools, one intermediate school, one high school, one continuation school and one adult school.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

May 31, 2012

Board of Education of the
Albany Unified School District
1051 Monroe Street
Albany, California 94706-2213

OPINION: $___________ Albany Unified School District (Alameda County, California) 2012 General Obligation Refunding Bonds

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Members of the Board of Education:

We have acted as bond counsel to the Albany Unified School District (the "District") in connection with the issuance by the District of $___________ principal amount of Albany Unified School District (Alameda County, California) 2012 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"), Resolution No. ____, adopted by the Board of Education of the District on March 20, 2012 (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.

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

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

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

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

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

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the ALBANY UNIFIED SCHOOL DISTRICT (the "District") in connection with the issuance by the District of its $___________ Albany Unified School District (Alameda County, California) 2012 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 March 20, 2012 (the "Resolution"). The District covenants and agrees as follows:

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

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

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

"*Dissemination Agent*" shall mean KNN Public Finance 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 2011-12 Fiscal Year, which is due not later than March 31, 2013, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

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

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

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

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

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

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

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

(i) 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: May 31, 2012

ALBANY UNIFIED SCHOOL DISTRICT

By ________________________________
Name ______________________________
Title _______________________________

ACKNOWLEDGED:

KNN PUBLIC FINANCE, *as Dissemination Agent*

By: _______________________________
Name: _____________________________
Title: ______________________________

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Albany Unified School District
Name of Issue:	$_______ Albany Unified School District (Alameda County, California) 2012 General Obligation Refunding Bond
Date of Issuance:	May 31, 2012

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 May 31, 2012, furnished by the Issuer in connection with the Issue. The Issuer anticipates that the Annual Report will be filed by _____________.

Dated: ______________________

KNN PUBLIC FINANCE, *as Dissemination Agent*

By _________________________________
Name ______________________________
Title _______________________________

cc: Paying Agent

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Refunding Bonds, payment of principal, interest and other payments on the Refunding Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Refunding Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Refunding Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Refunding Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Refunding Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. 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 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.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond 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 the notices be provided directly to them.

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest 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 District 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, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

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ALBANY UNIFIED SCHOOL DISTRICT (ALAMEDA COUNTY, CALIFORNIA) • 2012 GENERAL OBLIGATION REFUNDING BONDS

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