NEW ISSUE—BOOK-ENTRY ONLY #2015-1224 **RATING**:
S&P: "AA-"
See "RATING" herein.

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

$50,000,000
BERKELEY UNIFIED SCHOOL DISTRICT
(Alameda County, California)
General Obligation Bonds
Election of 2010, Series D (2015)

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

The $50,000,000 Berkeley Unified School District (Alameda County, California) General Obligation Bonds, Election of 2010, Series D (2015) (the "Bonds") are being issued by the Berkeley Unified School District (the "District") pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code and a resolution of the Board of Education of the District. The Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on November 2, 2010, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of $210,000,000 (the "2010 Authorization"), and (b) pay for costs of issuance of the Bonds. The District has previously issued three series of bonds under the 2010 Authorization, totaling $75,000,000. The Bonds constitute the fourth issue of bonds under the 2010 Authorization. The Bonds will be issued as current interest bonds

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

The Bonds are issuable in denominations of $5,000 and any integral multiple thereof. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2016. See "THE BONDS" herein. The Bonds will be delivered in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by U.S. Bank National Association, as paying agent, to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

$28,400,000 Serial Bonds

CUSIP† Prefix: 084154

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Suffix	Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Suffix
2023	$1,535,000	5.000%	2.310%	119.735	WS8	2031	$1,925,000	4.000%	3.560%	103.387c	XA6
2024	1,580,000	5.000	2.510	118.935c	WT6	2032	1,985,000	3.375	3.580	97.394	XB4
2025	1,625,000	4.000	2.680	110.343c	WU3	2033	2,045,000	3.500	3.630	98.284	XC2
2026	1,675,000	4.000	2.850	109.046c	WV1	2034	2,110,000	3.500	3.670	97.679	XD0
2027	1,720,000	4.000	3.000	107.899c	WW9	2035	2,175,000	3.500	3.710	97.042	XE8
2028	1,770,000	4.000	3.150	106.668c	WX7	2036	2,245,000	3.625	3.750	98.187	XF5
2029	1,820,000	4.000	3.300	105.454c	WY5	2037	2,320,000	3.750	3.800	99.254	XG3
2030	1,870,000	4.000	3.450	104.256c	WZ2						

$7,430,000 4.000% Term Bonds maturing August 1, 2040; Price: 100.000—CUSIP†: 084154 XH1

$14,170,000 4.000% Term Bonds maturing August 1, 2045; Price: 99.132% to Yield 4.050%—CUSIP†: 084154 XJ7

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

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

KNN public finance
A Division of Zions Public Finance, Inc.

The Bonds will be offered when, as and if issued, and received by the purchaser thereof, subject to the approval as to their validity by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, Disclosure Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about June 30, 2015.

June 11, 2015

c Price to the 101% call on August 1, 2023.

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

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

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

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

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

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

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

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

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

Website. The District maintains a website. Unless specifically indicated otherwise, the information presented on such website is not incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

BERKELEY UNIFIED SCHOOL DISTRICT
2020 Bonar Street, Room 202
Berkeley, California 94702
(510) 644-4500
http://www.berkeleyschools.net/

BOARD OF EDUCATION

Judy Appel, *President*
Beatriz Leyva-Cutler, *Vice-President*
Karen Hemphill, *Clerk*
Ty Alper, *Board Member*
Josh Daniels, *Board Member*

DISTRICT ADMINISTRATION

Dr. Donald Evans, *Superintendent*
Javetta Cleveland, *Deputy Superintendent*
Pauline Follansbee, *Director of Fiscal Services*
Tim White, *Director of Facilities*

PROFESSIONAL SERVICES

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

MUNICIPAL ADVISOR
KNN Public Finance
A Division of Zions Public Finance, Inc.
Oakland, California

PAYING AGENT, TRANSFER AGENT,
AUTHENTICATION AGENT and ESCROW BANK
U.S. Bank National Association
San Francisco, California

$50,000,000
BERKELEY UNIFIED SCHOOL DISTRICT
(Alameda County, California)
General Obligation Bonds
Election of 2010, Series D (2015)

INTRODUCTION

This Official Statement, which includes the cover page, the inside cover page and appendices hereto, provides information in connection with the sale of $50,000,000 General Obligation Bonds, Election of 2010, Series D (2015) (the "Bonds").

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

The District

The Berkeley Unified School District (the "District") provides educational services to the residents of the City of Berkeley (the "City"), located in Alameda County (the "County"), California (the "State"), approximately 10 miles northeast of the City of San Francisco. The District was established in 1879 and unified in 1936 with the combining of the elementary and high school districts then in existence in the area of the current district boundaries. There were no changes in the District's boundaries in the current year. The District is currently operating eleven elementary schools and three intermediate schools, one high school, one continuation school, and an independent study program. In addition, the District operates an adult school program.

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

Sources of Payment for the Bonds

The Bonds represent general obligations of the District payable solely from *ad valorem* property taxes levied and collected by the County. The Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

Authority for Issue; Purpose of Issue

The Bonds are issued pursuant to the Constitution and laws of the State of California (the "State"), including the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code (the "Bond Law"). The Bonds are authorized to be issued pursuant to a resolution (the "Bond Resolution"), adopted by the Board of Education of the District (the "District Board") on May 6, 2015.

The Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on November 2, 2010, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of $210,000,000 (the "2010 Authorization"), and (b) pay for costs of issuance of the Bonds. The District has previously issued three series of bonds under the 2010 Authorization, totaling $75,000,000. The Bonds constitute the fourth issue of bonds under the 2010 Authorization.

Description of the Bonds

The Bonds are being issued as current interest bonds. The Bonds will be dated as of their date of delivery, will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. Interest on the Bonds accrues from their date of delivery and is payable semiannually on each February 1 and August 1 (each an "Interest Payment Date"), commencing February 1, 2016.

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

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

Tax Matters

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

Offering and Delivery

The Bonds are offered when, as and if issued and received by the purchaser thereof, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about June 30, 2015.

Continuing Disclosure

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

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available for inspection at the office of the Superintendent, Berkeley Unified School District, 2020 Bonar Street, Room 202, Berkeley, California 94702, telephone (510) 644-4500. The District may impose a charge for copying, mailing and handling.

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

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

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of the Bond Law. The Bonds are authorized pursuant to the Bond Resolution.

Purpose of Issuance

The Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects authorized under the 2010 Authorization, and (b) pay for costs of issuance of the Bonds. The

District has previously issued three series of bonds under the 2010 Authorization, totaling $75,000,000. The Bonds constitute the fourth issue of bonds under the 2010 Authorization. . See "—Sources and Uses of Funds."

The District has authorized and issued certain other general obligation bonds. See APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION—District Debt Structure.

Security

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

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

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

Description of the Bonds

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

Interest with respect to the Bonds accrues from their date of delivery and is payable semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing February 1, 2016. Interest on the Bonds accrues on the basis of a 360-day year comprised of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to that Interest Payment Date, inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before January 15, 2016, in which event it will bear interest from their date of delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on the dates, in the years and amounts set forth on the inside cover page hereof. The principal of and interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check or draft of the Paying Agent mailed by first-class mail to the Owner at the Owner's address as it appears on the registration books maintained by the Paying Agent as of the close of business on the fifteenth day of the month next preceding such interest payment date (the "Record Date"), or at such other address as the Owner may have filed with the Paying Agent for that purpose; provided however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of $1,000,000 or more who shall furnish written wire instructions to the Paying Agent at least five (5) days before the applicable Record Date. See also "Book Entry Only System" below.

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

Payment

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

Redemption

Optional Redemption. The Bonds maturing on and prior to August 1, 2023, are not callable for redemption prior to their stated maturity date. The Bonds maturing on and after August 1, 2024, are callable for redemption prior to their stated maturity date at the option of the District, in whole or in part on any date on or after August 1, 2023 (in inverse order of maturity and by lot with a maturity), from any source lawfully available therefor, at a redemption price equal to the principal amount of the Bonds called for redemption, together with accrued interest to the date fixed for redemption and the redemption premium set forth in the following table:

Redemption Period	Redemption Premium
August 1, 2023, through July 31, 2024	1%
August 1, 2024 and thereafter	0%

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

Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed
2038	$2,395,000
2039	2,475,000
2040†	2,560,000

†Maturity

The Bonds maturing on August 1, 2045, are also subject to mandatory sinking fund redemption in part by lot on August 1, 2041, and on each August 1 thereafter, to and including August 1, 2045, from mandatory sinking account payments made by the District at a redemption price equal to the principal amount thereof, without premium, in the aggregate respective amounts and on the respective dates as set forth in the following table.

Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed
2041	$2,645,000
2042	2,735,000
2043	2,830,000
2044	2,930,000
2045†	3,030,000

†Maturity

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

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

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

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

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

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

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

Defeasance

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

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

(b) *Defeasance Securities*. By irrevocably depositing with a bank or trust company, in escrow, non-callable Defeasance Securities (as defined below), as permitted under section 149(d) of the Internal Revenue Code of 1986, as amended (the "Code"), together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Interest and Sinking Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds (including all principal and interest represented thereby and redemption premiums, if any), at or before their maturity date;

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

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

Partial Defeasance

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

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

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

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

Registration, Transfer and Exchange of Bonds

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

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

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

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

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

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

Sources and Uses of Funds

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

Sources of Funds:	
Principal Amount of Bonds	$50,000,000.00
Plus: Original Issue Premium	1,038,500.10
Total Sources of Funds	$51,038,500.10
Uses of Funds:	
Deposit to Building Fund	$49,820,000.00
Deposit to Interest and Sinking Fund	714,775.10
Costs of Issuance (1)	503,725.00
Total Uses of Funds	$51,038,500.10

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

Debt Service Schedule

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

Fiscal Year Ending June 30	Principal[1]	Interest[2]	Total
2016	—	$ 1,156,323.96	$ 1,156,323.96
2017	—	1,972,875.00	1,972,875.00
2018	—	1,972,875.00	1,972,875.00
2019	—	1,972,875.00	1,972,875.00
2020	—	1,972,875.00	1,972,875.00
2021	—	1,972,875.00	1,972,875.00
2022	—	1,972,875.00	1,972,875.00
2023	—	1,972,875.00	1,972,875.00
2024	$ 1,535,000	1,934,500.00	3,469,500.00
2025	1,580,000	1,856,625.00	3,436,625.00
2026	1,625,000	1,784,625.00	3,409,625.00
2027	1,675,000	1,718,625.00	3,393,625.00
2028	1,720,000	1,650,725.00	3,370,725.00
2029	1,770,000	1,580,925.00	3,350,925.00
2030	1,820,000	1,509,125.00	3,329,125.00
2031	1,870,000	1,435,325.00	3,305,325.00
2032	1,925,000	1,359,425.00	3,284,425.00
2033	1,985,000	1,287,428.13	3,272,428.13
2034	2,045,000	1,218,143.76	3,263,143.76
2035	2,110,000	1,145,431.26	3,255,431.26
2036	2,175,000	1,070,443.76	3,245,443.76
2037	2,245,000	991,690.63	3,236,690.63
2038	2,320,000	907,500.00	3,227,500.00
2039	2,395,000	816,100.00	3,211,100.00
2040	2,475,000	718,700.00	3,193,700.00
2041	2,560,000	618,000.00	3,178,000.00
2042	2,645,000	513,900.00	3,158,900.00
2043	2,735,000	406,300.00	3,141,300.00
2044	2,830,000	295,000.00	3,125,000.00
2045	2,930,000	179,800.00	3,109,800.00
2046	3,030,000	60,600.00	3,090,600.00
TOTAL	$50,000,000	$40,067,905.96	$90,067,905.96

(1) Includes mandatory sinking fund installments. See "THE BONDS—Redemption—Sinking Fund Redemption."
(2) Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2016.

PAYING AGENT

U.S. Bank National Association, San Francisco, California, will act as the transfer agent, bond registrar, authenticating agent and paying agent for the Bonds (the "Paying Agent"). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice.

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

BOOK-ENTRY-ONLY SYSTEM

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

THE DISTRICT

General Information

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

Enrollment in the District for grades K-12 in the 2013-14 school year was 9,585 students, and is budgeted at 9,839 in Fiscal Year 2014-15. In Fiscal Year 2014-15, the District has budgeted for approximately 1,200 employees. Budgeted full-time-equivalent positions (FTEs) include 661 certificated (credentialed teaching) staff, 504 classified (non-teaching) staff, and 35 management personnel. The District has budgeted general fund expenditures of approximately $122.4 million in Fiscal Year 2014-15. Total assessed valuation of taxable property in the District in Fiscal Year 2014-15 is approximately $14,892,763,651. The District operates under the jurisdiction of the County Superintendent of Schools.

Board of Education and Administration

The District is governed by a five-member District Board, each member of which is elected to a four-year term. Elections for positions to the District Board are held every two years, alternating between two and three available positions.

BOARD OF EDUCATION

Name	Position	Expiration of Term
Judy Appel	President	2016
Beatriz Leyva-Cutler	Vice President	2016
Karen Hemphill	Clerk	2018
Ty Alper	Trustee	2018
Josh Daniels	Trustee	2018

Source: Berkeley Unified School District

The District's day-to-day operations are managed by a board-appointed Superintendent of Schools. Dr. Donald Evans was appointed as Superintendent of the District in 2013. Dr. Evans has over 27 years experience in California schools.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

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

General

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

Property Taxation System

The collection of property taxes is significant to the District and the Owners of the Bonds in two respects. First, the County Board of Supervisors will levy and collect ad valorem taxes on all taxable parcels within the District which are pledged specifically to the repayment of the Bonds. Second, the general ad valorem property tax levy levied in accordance with Article XIIIA of the California Constitution and its implementing legislation is taken into account in connection with the State's Local Control Funding Formula ("LCFF") which determines the amount of funding received by the District from the State to operate the District's educational programs. The LCFF replaces revenue limit and most categorical program funding previously used to determine the amount of funding received by the District from the State with the LCFF which consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district's student demographic. See APPENDIX A – "INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET – THE SCHOOL DISTRICT – Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System" and " –EFFECT OF STATE BUDGET ON REVENUES– 2014-15 State Budget" below. As described below, the general ad valorem property tax levy and the additional ad valorem property tax levy pledged to repay the Bonds will be collected on the annual tax bills distributed by the County to the owners of parcels within the boundaries of the District.

The District received approximately 24.6 of its total general fund operating revenues from local property taxes in fiscal year 2013-14.

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

Method of Property Taxation

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

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

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

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

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

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

Assessed Valuations

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

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

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

The table below shows the assessed valuation in the District for fiscal years 2009-10 to 2014-15.

HISTORIC ASSESSED VALUATIONS
Fiscal Years 2009-10 to 2014-15

Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation
2009-10	12,086,018,922	473,910	720,264,455	12,806,757,287
2010-11	12,148,059,559	555,664	677,887,524	12,826,502,747
2011-12	12,526,417,236	555,664	667,789,011	13,194,761,911
2012-13	12,835,423,622	555,664	673,174,230	13,509,153,516
2013-14	13,686,766,182	555,664	677,170,723	14,364,492,569
2014-15	14,233,860,858	630,615	658,272,178	14,892,763,651

Source: California Municipal Statistics, Inc.

As indicated above, assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs.

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

In addition, Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis.

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

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

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

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

ASSESSED VALUATION BY JURISDICTION(1)
Fiscal Year 2014-15

Jurisdiction	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction(1)	% of Jurisdiction in School District
City of Berkeley	14,892,239,283	99.996%	14,892,239,283	100.000%
City of Oakland	524,368	.004	43,763,821,970	.001
Total District	14,892,763,651	100.00%		
Alameda County	14,892,763,651	100.00%	220,488,569,845	6.754%

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

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

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2014-15

	2014-15 Assessed Valuation(1)	% of Total	No. of Parcels	% of Total
Non Residential:				
Commercial/Office	1,724,164,121	12.11%	1,560	5.43%
Vacant Commercial	21,915,595	.15	58	.20
Industrial	836,366,985	5.88	448	1.56
Vacant Industrial	8,779,037	.06	29	.10
Recreational	36,498,808	.26	15	.05
Government/Social/Institutional	16,931,207	.12	656	2.28
Subtotal Non-Residential	2,644,655,753	18.58%	2,766	9.63%
Residential:				
Single Family Residence	7,559,892,800	53.11%	17,240	60.01%
Condominium/Townhouse	717,370,181	5.04	2,666	9.28
Cooperative	22,450,865	.16	113	.39
2-4 Residential Units	1,499,952,674	10.54	4,009	13.95
5+ Residential Units/Apartments	1,720,817,025	12.09	1,403	4.88
Miscellaneous Residential	2,248,169	.02	10	.03
Vacant Residential	66,473,391	.47	522	1.82
Subtotal Residential	11,589,205,105	81.42%	25,963	90.37%
Total	14,233,860,858	100.00%	28,729	100.00%

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

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

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2014-15

	No. of Parcels	2014-15 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	17,240	7,559,892,800	438,509	355,768

2014-15 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	929	5.389%	5.389%	37,093,626	.491%	.491%
$50,000 - $99,999	1,975	11.456	16.845	149,592,067	1.979	2.469
$100,000 - $149,999	1,580	9.165	26.009	194,606,238	2.574	5.044
$150,000 - $199,999	1,073	6.224	32.233	187,747,928	2.483	7.527
$200,000 - $249,999	994	5.766	37.999	224,328,169	2.967	10.494
$250,000 - $299,999	1,009	5.853	43.852	277,601,470	3.672	14.166
$300,000 - $349,999	955	5.539	49.391	310,323,695	4.105	18.271
$350,000 - $399,999	875	5.075	54.466	328,038,383	4.339	22.611
$400,000 - $449,999	876	5.081	59.548	372,531,624	4.929	27.540
$450,000 - $499,999	797	4.623	64.171	378,510,868	5.007	32.546
$500,000 - $549,999	820	4.756	68.927	429,493,469	5.681	38.228
$550,000 - $599,999	738	4.281	73.208	423,511,389	5.602	43.830
$600,000 - $649,999	643	3.730	76.937	400,486,699	5.298	49.127
$650,000 - $699,999	554	3.213	80.151	373,451,304	4.940	54.067
$700,000 - $749,999	494	2.865	83.016	357,846,652	4.733	58.801
$750,000 - $799,999	439	2.546	85.563	339,565,522	4.492	63.292
$800,000 - $849,999	429	2.488	88.051	353,165,096	4.672	67.964
$850,000 - $899,999	316	1.833	89.884	276,039,721	3.651	71.615
$900,000 - $949,999	275	1.595	91.479	254,018,952	3.360	74.975
$950,000 - $999,999	220	1.276	92.755	213,862,548	2.829	77.804
$1,000,000 and greater	1,249	7.245	100.000	1,677,977,380	22.196	100.000
Total	17,240	100.000%		$7,559,892,800	100.000%	

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

Tax Rates

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

The rate of tax necessary to pay fixed debt service on the Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in the principal Tax Rate Area ("TRA") within the District from fiscal year 2010-11 to fiscal 2014-15. TRA 13-000 comprises approximately 97% of the total assessed value of property in the District.

DEFINITIONS AND SUMMARY OF AD VALOREM TAX RATES
Fiscal Years 2010-11 to 2014-15

Total Tax Rates (TRA 13-000 – 2014-15 Assessed Valuation: $14,461,728,674)

	2010-11	2011-12	2012-13	2013-14	2014-15
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Peralta Community College District Bonds	.0430	.0436	.0434	.0419	.0412
Berkeley Unified School District Bonds	.1463	.1478	.1406	.1544	.1353
Bay Area Rapid Transit District	.0031	.0041	.0043	.0075	.0045
East Bay Regional Park District Bonds	.0084	.0071	.0051	.0078	.0085
East Bay Municipal Utility District	.0067	.0067	.0068	.0066	.0047
City of Berkeley Bonds	.0480	.0470	.0470	.0535	.0505
Total Tax Rates	1.2555	1.2563	1.2472	1.2717	1.2447

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

Tax Levies and Delinquencies

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

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

SECURED TAX CHARGE AND DELINQUENCY
Fiscal Years 2008-09 to 2012-13

Fiscal Year	Secured Tax Charge(1)	Amount Delinquent as of June 30	Percent Delinquent as of June 30
2008-09	17,015,151.81	524,880.86	3.08%
2009-10	21,697,550.60	681,798.62	3.14
2010-11	17,540,525.98	401,688.63	2.29
2011-12	18,200,685.64	378,536.21	2.08
2012-13	17,864,911.48	309,563.77	1.73
2013-14	20,753,484.07	290,486.56	1.40

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

Alternative Method of Tax Apportionment

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

The Teeter Plan is applicable to secured property tax levies but not unsecured tax levies. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts, special assessment districts, and benefit assessment districts.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency, but penalties and interest would be credited to the political subdivisions.

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

Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2014-15, representing 7.3% of the District's total assessed valuation.

LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2014-15

	Property Owner	Primary Land Use	2014-15 Assessed Valuation	% of Total[1]
1.	Bayer Healthcare LLC	Industrial	280,447,236	1.97%
2.	EQR Berkeley	Apartments	151,131,837	1.06
3.	CVBAF ACQ LLC	Apartments	68,117,856	.48
4.	Granite Library Gardens LP	Apartments	65,560,707	.46
5.	Essex Berkeley 4th Street LP	Apartments	47,551,039	.33
6.	SC Hillside Berkeley Inc.	Apartments	46,866,611	.33
7.	Hanumandla J. and Hanumandla R. Reddy, Trust	Apartments	42,472,867	.30
8.	1950 MLK LLC	Apartments	37,001,956	.26
9.	Seventh Street Properties	Apartments	30,940,995	.22
10.	BVP Fulton LLC	Apartments	29,109,851	.20
11.	2600 Tenth Street LLC	Office Building	27,878,972	.20
12.	John K. Gordon and Janis L. Mitchell, Trust	Office Building	27,004,318	.19
13.	Kaiser Foundation Health Plan Inc.	Industrial	25,444,052	.18
14.	920 Heinz LP	Commercial	24,952,946	.18
15.	Prasad R. and Santi Lakireddy	Office Building	24,693,400	.17
16.	Numano Sake Company Inc.	Industrial	24,497,856	.17
17.	Pyramid Gilman Street Property LLC	Industrial	22,672,543	.16
18.	Durant Owner LLC	Hotel	21,958,343	.15
19.	California Family LLC & CWR Holdings LLC	Apartments	20,857,050	.15
20.	Jamestown Premiere Berkeley Grotto LP	Commercial	20,593,067	.14
	Total		1,039,753,502	7.30%

Source: California Municipal Statistics, Inc.
(1) 2014-15 Local secured assessed valuation: $14,233,860,858.

Direct and Overlapping Debt

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

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

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

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
As of April 1, 2015

BERKELEY UNIFIED SCHOOL DISTRICT

2014-15 Assessed Valuation: $14,892,763,651

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/15
Bay Area Rapid Transit District	2.656%	$ 16,753,915
East Bay Municipal Utility District, Special District No. 1	17.734	1,934,779
Peralta Community College District	19.024	72,488,098
Berkeley Unified School District	**100.000**	**228,615,000**[1]
City of Berkeley	100.000	83,900,000
City of Oakland	.001	2,198
East Bay Regional Park District	4.077	7,239,733
City of Berkeley Community Facilities District No. 1	100.000	4,500,000
City of Berkeley 1915 Act Bonds	100.000	1,205,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$416,638,723
OVERLAPPING GENERAL FUND DEBT:		
Alameda County General Fund Obligations	6.754%	$ 58,788,133
Alameda County Pension Obligation Bonds	6.754	4,536,272
Alameda-Contra Costa Transit District Certificates of Participation	8.008	1,985,183
Peralta Community College District Benefit Obligations	19.024	31,304,770
City of Berkeley Lease Revenue Bonds and Certificates of Participation	100.000	30,755,000
City of Berkeley Pension Obligation Bonds	100.000	1,135,000
City of Oakland General Fund and Pension Obligation Bonds	.001	5,304
TOTAL OVERLAPPING GENERAL FUND DEBT		$128,509,662
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	100.000%	$905,000
COMBINED TOTAL DEBT		$546,053,385[2]

Ratios to 2014-15 Assessed Valuation:
Direct Debt ($228,615,000) 1.54%
Total Direct and Overlapping Tax and Assessment Debt.................2.80%
Combined Total Debt...3.67%

Ratios to Redevelopment Successor Agency Incremental Valuation ($201,857,466):
Total Overlapping Tax Increment Debt..0.45%

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

COUNTY INVESTMENT POOL

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

Each treasurer-tax collector is required to invest funds, including those pooled funds described above, in accordance with Section 53601 *et seq.* of the California Government Code. In addition, each treasurer-tax collector is required to establish an investment policy which may impose further limitations beyond those required by the California Government Code. A copy of the County investment policy and periodic reports on the County investment pool are available from the Treasurer-Tax Collector, Alameda County, 1221 Oak Street, Room 131, Oakland, California 94612, Telephone: (510) 272-6800. It is not intended that such information be incorporated into this Official Statement by such references. Certain information concerning the County's pooled investment portfolio as of March 31, 2015, is included here in APPENDIX D—COUNTY QUARTERLY INVESTMENT REPORT.

LEGAL OPINIONS

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

TAX MATTERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MUNICIPAL ADVISOR

KNN Public Finance, Oakland, California ("KNN"), is a division of Zions Public Finance, Inc., and as such is an independent financial advisory firm registered as a "Municipal Advisor" with the Securities Exchange Commission and Municipal Securities Rulemaking Board. KNN does not underwrite, trade or distribute municipal or other public securities. KNN has assisted the District in connection with the planning, structuring, sale and issuance of the Bonds. KNN is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibilities for the accuracy, completeness or fairness of the information contained in this Official Statement not provided by KNN. The fees of KNN Public Finance in respect to the Bonds are contingent upon their sale and delivery.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than March 31 after the end of the District's fiscal year (the current end of the District's fiscal year is on June 30), commencing with the report for the 2014-15 fiscal year, and to provide notices of the occurrence of certain events listed in the District's Continuing Disclosure Certificate, the form of which is in APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE. The Annual Report and notices of listed events will be filed by the District with the Municipal Securities Rulemaking Board (the "MSRB"), by posting on the MSRB's Electronic Municipal Market Access or "EMMA" system (website: www.emma.msrb.org). These continuing disclosure covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). In preparation for issuance of the Bonds, the District has determined that, while all Annual Reports and financial and operating data as required by its continuing disclosure undertakings during the last five years were filed, it had failed, in certain circumstances, to file listed event notices relating to (a) rating downgrades of the municipal bond insurers' ratings for certain of the District's outstanding bonds, and (b) Standard & Poor's Ratings Services' rating upgrade from "A+" to the present rating of "AA-" in 2011. Prior to the date of this Official Statement, all such listed event notifications have been filed with the MSRB on EMMA.

LEGALITY FOR INVESTMENT IN CALIFORNIA

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

ABSENCE OF MATERIAL LITIGATION

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

RATING

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned the rating of "AA-" with a "stable outlook" to the Bonds. Such rating reflects only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P at the following address: 55 Water Street, New York, NY 10041, (212) 208-8000. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

UNDERWRITING

The Bonds were sold, by competitive bidding on June 11, 2015, to Merrill Lynch, Pierce, Fenner & Smith Incorprated (the "Underwriter") at a true interest cost of 3.813620%. The purchase price to be paid by the Underwriter is $50,714,775.10 (equal to the principal amount of the Bonds of $50,000,000, plus a net original issue premium of $1,038,500.10, less an Underwriter's discount of $323,725.00. The Underwriter intends to offer the Bonds to the public initially at the prices set forth on the cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

ADDITIONAL INFORMATION

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

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

BERKELEY UNIFIED SCHOOL DISTRICT

By /s/ Javetta Cleveland
Javetta Cleveland
Deputy Superintendent

APPENDIX A

THE ECONOMY OF THE DISTRICT

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

Introduction

The City. The City of Berkeley (the "City") is located in Alameda County (the "County") on the east side of the San Francisco Bay approximately ten (10) miles east of San Francisco. The City encompasses a total area of approximately 19 square miles and has an estimated population of 117,400, giving it the highest population density of any city in the East Bay. The City is defined to a large degree, both culturally and economically, by the presence of the University of California campus located on the eastern side of the City.

The City is among the oldest cities in California. It was founded in 1864, incorporated as a town in 1878, and incorporated as a city in 1909. The original City Charter was adopted in 1895. At the geographic midpoint of the Greater Bay Area, Berkeley is 20 minutes from San Francisco and close to population centers in Contra Costa County and the Silicon Valley. The City is governed by a City Council composed of members elected from eight districts to serve four-year terms, and a Mayor who serves as the president of the City Council, elected citywide to a four-year term.

The City provides a full range of services exceeding that of most similarly sized cities in California: services include public safety (police and fire); sanitation and sewer; housing; leisure (parks, recreation and marina); health and human services including City funded health clinics; animal control; public improvements; planning and zoning; general and administrative services; and library services.

The County. Located on the east side of the San Francisco Bay, Alameda County encompasses 813 square miles and extends from Albany in the North to Fremont in the South and Livermore in the East. The population of Alameda County exceeds 1.5 million making it the seventh most populous county in California according to U.S. Census Bureau data. Population growth in Alameda County has been fairly consistent during the last forty years making it a desirable place to live and work.

The County was established in 1853 and is governed by a five-member Board of Supervisors elected by popular vote. Other elected officials include the Auditor-Controller/Clerk-Recorder, Assessor, Treasurer-Tax Collector, District Attorney, and Sheriff/Coroner. The Board of Supervisors is responsible for providing policy direction, approving the County budget, and representing the County in a number of areas including special districts. The County Administrator reports to the Board and is responsible for delivering County services.

The County possesses a large and diverse economic base, consisting of research and high technology, professional services, manufacturing, farming, finance, transportation, wholesale and retail trade, higher education, medical and health services, and government services. The County also has a diversified industrial base that provides well paying jobs to its residents.

In international trade, Alameda County has a long history of strong cultural and business ties with Pacific Rim trading partners. Because of its central location and state-of-the-art port facilities, it is a major port for the Pacific Rim trade. The County's extensive network of air, sea, highway and rail facilities have made the County a major transportation hub for regional, national, and international trade.

Population

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

CITY OF BERKELEY and ALAMEDA COUNTY
Population

Year	City of Berkeley	Alameda County
2010	112,580	1,510,271
2011	113,925	1,517,756
2012	114,690	1,530,206
2013	115,814	1,550,119
2014	117,372	1,573,254

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2011-2014, with 2010 Census Benchmark.

Employment

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

ALAMEDA COUNTY
Labor Force and Industry Employment
Annual Averages by Industry

	2009	2010	2011	2012	2013(1)
Total, All Industries	658,400	647,200	654,300	674,800	699,200
Total Farm	700	700	700	700	500
Mining, Logging and Construction	33,600	30,400	31,000	33,400	35,700
Manufacturing	61,800	59,100	60,900	60,900	62,800
Wholesale Trade	35,900	34,200	34,200	35,400	36,400
Retail Trade	60,900	59,900	60,500	62,600	65,800
Transportation, Warehousing & Utilities	24,900	23,500	24,100	24,800	25,100
Information	14,900	14,000	13,600	13,600	13,000
Financial Activities	22,400	22,900	23,000	23,500	24,200
Professional & Business Services	105,200	108,300	111,400	118,100	121,000
Educational & Health Services	99,700	100,400	99,700	104,400	112,200
Leisure & Hospitality	53,900	54,500	56,000	58,700	62,300
Other Services	22,900	23,200	23,300	23,900	24,900
Government	121,300	116,100	116,100	114,900	115,300

Source: California Employment Development Department, based on March 2014 benchmark.
Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.
(1) Last available full year data.

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

ALAMEDA COUNTY, CALIFORNIA, and UNITED STATES
Civilian Labor Force, Employment, and Unemployment
(Annual Averages)
2010-2014

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate (1)
2010	Alameda County	762,600	676,600	86,000	11.3%
	California	18,336,300	16,091,900	2,244,300	12.2
	United States	153,889,000	139,064,000	14,825,000	9.6
2011	Alameda County	765,700	686,700	79,000	10.3%
	California	18,419,500	16,260,100	2,159,400	11.7
	United States	153,617,000	139,869,000	13,747,000	8.9
2012	Alameda County	778,300	708,600	69,700	9.0%
	California	18,554,800	16,630,100	1,924,700	10.4
	United States	154,975,000	142,469,000	12,506,000	8.1
2013	Alameda County	783,100	725,000	58,000	7.4%
	California	18,671,600	17,002,900	1,668,700	8.9
	United States	155,389,000	143,929,000	11,460,000	7.4
2014(2)	Alameda County	812,000	764,300	47,700	5.9%
	California	18,811,400	17,397,100	1,414,300	7.5
	United States	155,922,000	146,305,000	9,617,000	6.2

Source: California Employment Development Department, based on March 2014 benchmark and US Department of Labor.
(1) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures available in this table.
(2) Latest available full-year data.

Major Employers

The table below sets forth the ten principal employers of the County in 2015.

ALAMEDA COUNTY
2015 Major Employers

Employer Name	Location	Industry
Alameda County Sheriff's Ofc	Oakland	Police Department
Alta Bates Summit Medical Ctr	Oakland	Hospitals
Alta Bates Summit Medical Ctr	Berkeley	Hospitals
Bayer Health Care	Berkeley	Drug-Manufacturers
California State-East Bay	Hayward	Schools-Universities & Colleges Academic
Cooper Vision Inc	Pleasanton	Optical Goods-Wholesale
East Bay Water	Oakland	Water Utility
Highland Hospital	Oakland	Hospitals
Kaiser Permanente Medical Ctr	Oakland	Hospitals
Lawrence Berkeley National Lab	Berkeley	Research
Lawrence Livermore Natl Lab	Livermore	Defense and Scientific Research
Life Scan Inc	Fremont	Physicians & Surgeons Equip & Supls-Mfrs
Oakland Police Patrol Div	Oakland	Police Departments
Residential & Student Svc Prog	Berkeley	Schools-Universities & Colleges Academic
Safeway Inc	Pleasanton	Grocers-Retail
Tesla Motors	Fremont	Automobile Dealers-Electric Cars
Transportation Dept-California	Oakland	State Government-Transportation Programs
Ucsf Benioff Children's Hosp	Oakland	Hospitals
U.C. Berkeley	Berkeley	Schools-Universities & Colleges Academic
University of California	Berkeley	Schools-Universities & Colleges Academic
Valley Care Health System	Livermore	Hospitals
Washington Hospital Healthcare	Fremont	Hospitals
Waste Management	Oakland	Garbage Collection
Western Digital Corp	Fremont	Electronic Equipment & Supplies-Mfrs

Source: California Employment Development Department, Major Employers in Alameda County.

Construction Activity

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

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

	2009	2010	2011	2012	2013
Permit Valuation:					
New Single-family	1,267	1,133	1,150	1,382	3,462
New Multi-family	27,787	2,337	4,500	12,100	6,261
Res. Alterations/Additions	32,856	38,019	33,936	35,020	37,857
Total Residential	61,911	41,489	39,586	48,502	47,581
Total Nonresidential	26,310	36,582	43,815	39,134	94,187
Total All Building	88,221	78,072	83,401	87,637	141,768
New Dwelling Units:					
Single Family	4	2	4	4	15
Multiple Family	174	16	38	94	45
Total	178	18	42	98	60

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

ALAMEDA COUNTY
Building Permits and Valuation
(Dollars in Thousands)

	2009	2010	2011	2012	2013
Permit Valuation:					
New Single-family	227,982	276,660	269,312	372,939	451,279
New Multi-family	96,518	157,459	249,684	343,669	300,514
Res. Alterations/Additions	229,873	243,289	273,631	235,264	227,675
Total Residential	554,373	677,409	792,627	951,873	979,470
Total Nonresidential	597,987	564,655	708,958	463,431	1,650,777
Total All Building	1,152,360	1,242,065	1,501,586	1,415,305	2,630,247
New Dwelling Units:					
Single Family	802	907	817	1,119	1,339
Multiple Family	536	936	1,352	1,508	2,023
Total	1,338	1,843	2,169	2,627	3,362

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

Commercial Activity

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

CITY OF BERKELEY
Taxable Sales, 2009-2013
(dollars in thousands)

	2009	2010	2011	2012	2013(2)
Retail and Food Services					
Motor Vehicles and Parts Dealers	105,991	112,777	111,874	129,075	124,818
Home Furnishings and Appliance Stores	61,908	64,135	60,559	63,544	68,097
Bldg. Matrl. and Garden Equip. and Supplies	80,987	80,430	79,168	83,947	90,090
Food and Beverage Stores	82,004	89,989	99,355	102,640	113,764
Gasoline Stations	69,443	81,167	96,585	104,802	99,403
Clothing and Clothing Accessories Stores	54,648	54,930	58,189	58,945	58,294
General Merchandise Stores	9,020	9,119	9,796	10,984	11,876
Food Services and Drinking Places	226,592	233,765	247,864	274,112	286,626
Other Retail Group	258,281	243,838	252,917	241,548	240,873
Total Retail and Food Services	948,865	970,121	1,016,307	1,069,598	1,093,841
All Other Outlets	281,337	299,939	306,720	353,778	365,931
Total All Outlets	1,230,203	1,270,060	1,323,027	1,423,376	1,459,772

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).
(1) Totals may not add up due to independent rounding.
(2) Last available full year data.
(3)

ALAMEDA COUNTY
Taxable Sales, 2009-2013
(dollars in thousands)

	2009	2010	2011	2012	2013(2)
Retail and Food Services					
Motor Vehicles and Parts Dealers	1,949,009	2,183,709	2,405,412	2,823,697	3,138,082
Furniture and Home Furnishings Stores	410,092	412,979	438,369	474,949	506,386
Electronics and Appliance Stores	571,854	575,374	583,234	625,589	636,277
Bldg Mtrl. and Garden Equip. and Supplies	1,085,191	1,091,857	1,153,236	1,230,013	1,379,338
Food and Beverage Stores	866,117	884,033	928,190	990,964	1,031,311
Health and Personal Care Stores	415,203	419,672	434,353	440,239	476,407
Gasoline Stations	1,491,427	1,716,376	2,135,182	2,291,985	2,218,302
Clothing and Clothing Accessories Stores	878,290	926,611	995,486	1,084,439	1,331,394
Sporting Goods, Hobby, Book and Music Stores	502,870	489,954	484,909	487,666	493,428
General Merchandise Stores	1,629,370	1,710,291	1,810,195	1,887,477	1,943,081
Miscellaneous Store Retailers	845,915	900,038	955,440	988,889	939,103
Nonstore Retailers	70,906	68,868	74,685	136,755	294,264
Food Services and Drinking Places	1,925,171	1,994,522	2,121,065	2,318,686	2,505,728
Total Retail and Food Services	12,641,415	13,374,283	14,519,756	15,781,349	16,893,102
All Other Outlets	7,788,780	8,167,458	8,911,043	9,400,222	9,731,469
Totals All Outlets(1)	20,430,195	21,541,741	23,430,799	25,181,571	26,624,571

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).
(1) Totals may not add up due to independent rounding.
(2) Last available full year data.

Median Household Income

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

CITY OF BERKELEY, ALAMEDA COUNTY, CALIFORNIA and UNITED STATES
Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2010	City of Berkeley	2,996,260	44,932
	Alameda County	38,097,873	54,734
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Berkeley	3,060,805	43,939
	Alameda County	39,064,683	54,542
	California	814,578,457	47,062
	United States	6,438,704,663	41,253
2012	City of Berkeley	3,581,245	46,898
	Alameda County	43,677,855	55,396
	California	864,088,827	47,307
	United States	6,737,867,730	41,358
2013	City of Berkeley	3,513,983	48,301
	Alameda County	43,770,518	57,467
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City of Berkeley	3,909,548	52,592
	Alameda County	47,744,408	60,575
	California	901,189,699	50,072
	United States	7,357,153,421	45,448

Source: Nielsen Claritas, Inc.

APPENDIX B

DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

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

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

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

Under the prior system, California Education Code Section 42238 and following, each school district is determined to have a target funding level: a "base revenue limit" per student multiplied by the school district's student enrollment measured in units of average daily attendance ("ADA"). The base revenue limit is calculated from the school district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district is the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State equalization aid, and receives only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such school districts are known as "basic aid districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts."

The District has been a revenue limit district. The 2014-15 State Budget (described below) implements the new Local Control Funding Formula school funding allocation system. The Local Control Funding Formula replaces revenue limit and most categorical program funding.

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

Average Daily Attendance

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

As indicated above, commencing with the Fiscal Year 2013-14, the State budget restructures the manner in which the State allocates funding for K-12 education using the Local Control Funding Formula. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The first of the following two tables shows the District's enrollment, ADA and revenue limit per ADA for 2010-11 through 2012-13 under the historical funding program and for 2013-14 and estimated 2014-15 under the Local Control Funding Formula. The second of the two following tables shows the average daily attendance by grade year for purposes of the Local Control Funding Formula for Fiscal Years 2013-14 to 2014-15.

AVERAGE DAILY ATTENDANCE,
REVENUE LIMIT/LCFF AND ENROLLMENT
Fiscal Years 2008-09 to 2014-15

Fiscal Year	Average Daily Attendance[1]	Revenue Limit/LCFF Revenues[2]	Enrollment[3]
2010-11	8,927	49,434,794	9,643
2011-12	8,947	49,505,700	9,451
2012-13	8,905	49,564,324	9,441
2013-14	9,133	69,922,040	9,585
2014-15	9,327	74,964,973	9,839

Source: Berkeley Unified School District

(1) Reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year.

(2) Deficit revenue limit funding, when provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for the given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State's practice of deficit revenue limit funding was most recently reinstated beginning in Fiscal Year 2008-09, and discontinued following the implementation of the LCFF (as defined herein).

(3) Enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS") in each school year.

District Budget

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

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

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

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

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

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

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

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

Fiscal Year	Average Daily Attendance K-3	4-6	7-8	9-12	Total District ADA	Total District Enrollment(2)	% of EL/LI Enrollment(3)
2013-14	2,822.65	2,031.09	1,212.89	3,066.70	9,133.33	9,621	41.14%
2014-15	2,960.84	2,042.01	1,271.29	3,075.67	9,349.81	9,839	40.22%

Source: Berkeley Unified School District
(1) Reflects P-2 ADA.
(2) Reflects CBEDS enrollment.
(3) For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students will be expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment will be based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students will be based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

Accounting Practices

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

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

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

Financial Statements

The District's general fund finances the basic operating activities of the District. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2014, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the District, 2020 Bonar Street, Room 202, Berkeley, California 94702, telephone number (510) 644-4500. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. For further information, see also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014.

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Years 2010-11 to 2014-15

	Fiscal Year				
	2010-11 Audited	2011-12 Audited	2012-13 Audited	2013-14(1) Audited	2014-15(1)(2) Projected
REVENUES					
State Apportionment	23,208,864	23,245,555	21,268,039	41,354,237	44,178,613
Local Sources	26,225,930	26,260,145	20,296,285	28,567,803	30,786,360
Total Revenue Limit Sources/LCFF(1)	49,434,794	49,505,700	49,564,324	69,922,040	74,964,973
Federal Sources	6,473,981	6,666,167	4,450,369	3,817,062	3,637,321
Other State Sources	21,695,493	20,642,484	19,998,981	7,365,391	5,776,400
Other Local Sources	38,651,200	40,371,179	41,255,606	43,150,881	43,188,593
Total Revenues	116,255,468	117,185,530	115,269,280	124,255,374	127,567,287
EXPENDITURES					
Certificated Salaries	47,410,718	47,957,677	51,751,040	53,661,372	55,999,879
Classified Salaries	20,975,118	20,873,297	22,609,775	22,136,863	23,132,592
Employee Benefits	21,076,955	21,740,625	21,959,753	21,033,653	22,637,624
Books and Supplies	3,541,813	3,834,671	3,762,230	3,981,281	6,505,508
Contract Services and Op. Ex.	19,534,375	20,301,907	18,460,371	19,445,206	21,066,889
Capital Outlay	68,901	630,516	219,954	118,770	300,079
Other Outgo	9,487	-	21,053	10,794	(751,293)
Debt Service – Principal	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-
Total Expenditures	112,617,367	115,338,693	118,784,176	120,387,939	128,891,280
Excess (Deficiency) of Revenues over Expenditures	3,638,101	1,846,837	(3,514,896)	3,867,435	(1,323,992)
OTHER FINANCING SOURCES					
Operating transfers in	596,786	650,991	643,042	681,356	1,200,000
Operating transfers out	(3,378,611)	(313,496)	(546,366)	(3,987,133)	(3,910,857)
Other sources	-	-	-	-	-
Total financing sources (uses)	(2,781,825)	337,495	96,676	(3,305,777)	(2,710,857)
Net change in fund balances	856,276	2,184,332	(3,418,220)	561,658	(4,034,849)
Fund Balance, July 1	17,005,977	17,862,259	20,046,591	16,628,371	17,190,029
Fund Balance, June 30	17,862,253	20,046,591	16,628,371	17,190,029	13,155,180

Source: Berkeley Unified School District 2010-2014 audited financial statements.
(1) Beginning in FY2013-14 the Local Control Funding Formula (LCFF) has replaced the prior revenue limit system of funding.
(2) FY2014-15 Projected Year Totals from the District's 2nd Interim Report, Adopted March 11, 2015.

Summary of District Revenues and Expenditures

See "SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS—District Budget Process and County Review" for a general description of the annual budget process for California school districts. The District's audited financial statements for the year ending June 30, 2014, are reproduced in Appendix C. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District Board by September 15, and the audit report must be filed with the County Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 3% of its total general fund expenditures, based on total student attendance below 30,000. For fiscal year 2014-15, the District has budgeted an unrestricted general fund reserve of 3%, or approximately $3,984,064. Substantially all funds of the District are required by law to be deposited with and invested by the County Treasurer-Tax Collector on behalf of the District, pursuant to law and the investment policy of the County. See "ALAMEDA COUNTY INVESTMENT POOL."

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

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

The LCFF includes the following components:

- An average base grant for each local education agency equivalent to $7,643 per unit of ADA (by the end of the implementation period). This amount includes an adjustment of 10.4% to the base grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in high schools. It should be noted that the authorizing LCFF statute, AB 97, provides for a differentiated base grant amount according to four different grade spans: K-3, 4-6, 7-8, and 9-12. Unless otherwise collectively bargained for, following full implementation of the LCFF, school districts must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site by the target year so as to continue receiving its adjustment to the K-3 base grant.

- A 20% supplemental grant for students classified as English learners ("EL"), those eligible to receive a free or reduced price meal ("FRPM") and foster youth, to reflect increased costs associated with educating those students. These supplemental grants are only attributed to each eligible student once, and the total student population eligible for the additional funding is known as an "unduplicated count."
- An additional concentration grant equal to 50% of a local education agency's base grant, based on the number of unduplicated EL, FRPM and foster youth served by the local agency that comprise more than 55% of the school district's or charter school's total enrollment. The School District's eligible student percent for supplemental grants is 92% and is projected to reach the 55% threshold for concentration grants.

Of the more than $25 billion in funding to be invested through the LCFF over the next eight years, the vast majority of new funding will be provided for base grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to base grants, 10 cents will go to supplemental grants, and 6 cents will go to concentration grants. Under the 2013-14 State Budget, the target average base grant was $7,643, which was an increase of $2,375 from the prior year's average revenue limit. Base grants are to be adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among base grants are linked to differentials in Statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in Fiscal Year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% cost of living adjustment in Fiscal Years 2014-15 through 2020-21, and restoration of categorical funding to pre- recession levels. The sum of a school district's adjusted base, supplemental and concentration grants will be multiplied by such district's Second Principal Apportionment (P-2) ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with categorical block grant add-ons, will yield a school district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and the individual school district's share of applicable local property taxes allocations. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues in a particular year may significantly affect appropriations made by the State Legislature to school districts.

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

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

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

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

Source: California Department of Education

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

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

Other State Sources. 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 revenue funding items such as the Special Education Master Plan, Economic Impact Aid, Class Size Reduction Program, Tier 3 Funding and home-to-school transportation.

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

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

Other District Funds

In 2006/07 the District established the "Special Reserve Fund for Other Than Capital Outlay Fund", in which approximately two-thirds of the 3% of expenditures and other uses "reserve for economic uncertainty" mandated by the State is accounted for. The remaining third is accounted for within the District's parcel tax programs (see "- Parcel Taxes" herein). The Special Fund for Other Than Capital Outlay Fund is reported separately in all filings with the County Office of Education but is reported, along with the parcel tax program portion of the "reserve for economic uncertainty", as an undifferentiated part of General Fund ending balance in audited financial statements. The "reserve for economic uncertainty" may be accessed for general fund purposes without restriction or pay-back requirement (other than to each year budget sufficiently to meet the State reserve for economic uncertainty requirement each year).

Certain other District funds could, if need be and to the extent monies are available therein, be accessed on a temporary basis through District Board action and must be repaid within the fiscal year borrowed, or in the following fiscal year under certain limited circumstances. Among such funds are the District's adult education, cafeteria, building and self-insurance funds, the audited and budgeted ending fund balances for which are shown below for fiscal years 2012/13 through 2014/15, respectively:

OTHER DISTRICT FUNDS
Year End Fund Balance

	Fiscal Year		
	Audited 2012-13	Audited 2013-14	Projected 2014-15
Adult Education	679,433	661,022	661,022
Cafeteria Special Revenue	559,245	531,842	326,483
Building	62,263,197	35,025,448	56,497,161
Self-insurance	2,862,412	2,188,731	1,775,855
Special Reserve Fund for Other Than Capital Outlay Fund(1)	2,592,525	2,763,124	2,768,124

Source: Berkeley Unified School District
(1) Reported as an undifferentiated part of General Fund end balance in District audited financial statements; unaudited.

Parcel Taxes

The "Berkeley Schools Enrichment Program," a parcel tax program of the District, was originally approved by voters in November 1986 and first levied in fiscal year 1987/88. A measure to renew the parcel tax program for twelve years was passed on November 8, 1994 as the "Berkeley Schools Excellence Program" ("BSEP"). On November 2, 2004 Berkeley voters approved a new parcel tax ("Measure B"), structured as a two year supplement to BSEP. Measure B is managed as a part of BSEP. On November 7, 2006, District voters approved by 79.05% a new parcel tax measure that in effect continues the BSEP and Measure B tax levies in an equivalent combined levy beginning in 2007-08, structured as an extension of

BSEP for ten fiscal years. Two-thirds approval by voters voting is required for parcel tax enactment. BSEP funds certain District expenditures, including certain salaries, for the purposes of reducing class size, providing maintenance and security, providing supplementary books and materials and enriching certain school programs. A separate planning budget is developed annually for BSEP, along with the regular District budget. Parcel tax revenues from BSEP (including Measure B) were $25,182,951 for 2013/14 and are budgeted at $25,404,982 for 2014/15. BSEP tax revenues are incorporated in the District's 2014/15 budget and financial reporting for prior years.

On November 7, 2000, a second parcel tax program to BSEP, the "Berkeley Schools Facilities Safety and Maintenance Act of 2000" (the "Measure BB"), was passed by yes vote of 78.4% of the votes cast. The Measure BB levy began in fiscal year 2000/01 for twelve fiscal years through 2011/12. On November 2, 2010, by a yes vote of 80.88% of votes cast, the "Berkeley Schools Facilities Safety and Maintenance Act of 2010" ("Measure H") was passed, extending the Measure BB tax levy for ten fiscal years from 2012/13 through 2021/22. The purpose of the Measure BB is to fund certain District expenditures for maintenance, including certain related salaries. A separate planning budget is developed annually for the Measure BB tax, along with the regular District budget. Measure BB parcel tax revenues were $5,846,199 for 2013-14 and are budgeted at $5,922,186 for 2014-15, and are incorporated in the District's 2014/15 budget and financial reporting for prior years.

Parcel taxes are not pledged as payment for the Bonds. The Bonds are payable from the proceeds of an ad valorem tax levied by the County on property within the District in an amount sufficient for the timely payment of principal and interest on the Bonds.

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

District Expenditures

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

Labor Relations. Currently the District employs 725 full-time equivalent (FTE) certificated employees and 506 FTE classified employees. There are five formal bargaining organizations operating in the District which are described in the table below. Presently, certain supervisors and management employees, an aggregate total of 23 full-time equivalent, are not represented by an exclusive bargaining agent. Salaries and benefits for supervisors, management and confidential employees are determined through an informal process of "meet and confer" with representatives from each of these classifications.

LABOR ORGANIZATIONS

Labor Organization	Members	Contract Expiration[1]
Berkeley Federation of Teachers	674	June 30, 2015
Operational Support Staff/BCCE	171	June 30, 2015
Berkeley Council of Classified Employees	295	June 30, 2015
Union of Berkeley Administrators	41	June 30, 2015
Supervisors Local 21	27	June 30, 2015
Total	1,208	

Source: Berkeley Unified School District
(1) All contracts are subject to annual reopeners, and, except for Union of Berkeley Administrators, are under negotiation.

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

California Public Employees' Retirement System (CalPERS)

Plan Description. The District contributes to the School Employer Pool under 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 CalPERS, 400 Q Street, Sacramento, California 95811.

Funding Policy. Active plan members are required to contribute 7.00% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the 2013-14 fiscal year was 11.442%. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2013 and 2014 were $2,374,100, $2,554,529 and $2,585,220, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (CalSTRS)

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

Funding Policy. Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2013-2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30,2012,2013 and 2014 were $4,064,138, $4,158,702 and $4,503,362, respectively, and equal 100% of the required contributions for each year. On June 24, 2014 the Governor signed Assembly Bill 1469 which will increase the member contribution to 19.1 % over the next seven years.

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014, Note 7.

Postemployment Benefits Other Than Pension Benefits

Plan Description. The Postemployment Benefit Plan is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of retirees and their beneficiaries currently receiving benefits, and active plan members.

Funding Policy. The contribution requirements of plan members of the District are established and may be amended by the District and the California Teachers Association (CTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, CTA, CSEA and the unrepresented groups. For the fiscal year ended June 3D, 2014, the District contributed $2,093,764 to the plan.

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

OPEB OBLIGATIONS
Fiscal Year 2013-14

Annual required contribution	2,446,593
Interest on net OPEB obligation	123,120
Adjustment to annual required contribution	(6,908)
Annual OPEB cost (expense)	2,562,805
Contributions made	(2,093,764)
Increase in net OPEB obligation	469,041
Net OPEB obligation, beginning of the year	2,592,005
Net OPEB obligation, end of the year	3,061,046

Source: Berkeley Unified School District 2014 Annual Report

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

HISTORICAL OPEB OBLIGATIONS
Fiscal Years 2011-12 to 2013-14

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014-13	2,562,805	81.7%	3,061,046
2013-12	2,458,967	83.3	2,592,005
2012-11	2,439,943	81.5	2,180,150

Source: Berkeley Unified School District 2014 Annual Report

Funded Status and Funding Progress – OPEB Plans. As of June 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $16.4 million. The covered payroll (annual payroll of active employees covered by the Plan) was $82.3 million, and the ratio of the UAAL to the covered payroll was 19.9 percent. The OPES plan is currently operated as a pay-as-you-go plan.

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.

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014, Note 8.

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

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

District Debt Structure

Short Term Bonds. The District has no short term debt outstanding.

General Obligation Bonds. The following table shows all of the District's outstanding general obligation bonds.

ISSUED AND OUTSTANDING GENERAL OBLIGATION BONDS
As of March 31, 2015

	Date	Series	Original Principal Amount	Outstanding Amount as of March 31, 2015
Election of 1992	6/16/09	2009 GO Bonds	$ 17,274,222	$ 17,270,000
Election of 2000	6/28/07	Series 2007	24,500,000	20,275,000
	6/16/09	Series 2009	500,000	500,000
Election of 2010	5/26/11	Series A	25,000,000	25,000,000
	5/26/11	Series B	10,000,000	10,000,000
	5/14/13	Series C	40,000,000	40,000,000
Refunding Bonds	9/3/08	2008 GO Refunding Bonds	43,300,000	28,710,000
	12/10/09	2009 GO Refunding Bonds	25,440,000	13,835,000
	11/1/11	2011 GO Refunding Bonds	55,625,000	43,060,000
	2/5/13	2013A GO Refunding Bonds	19,590,000	18,615,000
	6/27/13	2013B GO Refunding Bonds	13,000,000	11,350,000
			$274,229,222	$228,615,000

On June 10, 2015, the District sold its $23,665,000 2015 General Obligation Refunding Bonds (the "2015 Refunding Bonds") to refund a portion of its 2008 General Obligation Refunding Bonds. That issue is scheduled to close on July 9, 2015.

The following table shows the District's debt service obligations with respect to its outstanding general obligation bonds.

DEBT SERVICE OBLIGATIONS ON OUTSTANDING GENERAL OBLIGATION BONDS
As of April 30, 2015

Fiscal Year Ending	Election of 2000 Series 2007	2008 Refunding Bonds (1)	Election of 2000 2009 Bonds	2009 Refunding Bonds	Election of 2010 Series A	Election of 2010 Series B	2011 Refunding Bonds	2013A Refunding Bonds	Election of 2010 Series C	2013B Refunding Bonds	Aggregate Debt Service (1)
6/30/15	$ 1,791,162.50	$ 3,856,196.25	$ 828,877.14	$ 3,083,150.00	$ 124,505.07	$ 529,493.76	$ 5,952,093.76	$ 1,553,600.00	$ 1,607,801.26	$ 1,808,400.00	$ 21,135,279.74
6/30/16	1,790,662.50	3,851,352.50	1,315,831.26	3,385,275.00	125,095.64	529,493.76	5,669,818.76	1,558,700.00	1,607,801.26	400,800.00	20,234,830.68
6/30/17	1,788,162.50	3,854,140.00	1,411,703.13	3,780,200.00	1,728,045.25	529,493.76	4,230,368.76	1,557,100.00	1,607,801.26	400,800.00	20,887,814.66
6/30/18	1,783,662.50	3,858,940.00	1,423,325.00	3,795,700.00	1,873,496.62	529,493.76	5,323,168.76	1,357,900.00	1,607,801.26	400,800.00	21,954,287.90
6/30/19	1,773,468.75	3,854,040.00	1,436,525.00	1,884,200.00	2,043,039.69	529,493.76	5,330,643.76	1,321,900.00	1,607,801.26	1,816,900.00	21,598,012.22
6/30/20	1,767,631.25	3,859,240.00	1,449,037.50	1,872,600.00	2,246,566.05	529,493.76	5,335,393.76	1,555,400.00	1,607,801.26	1,810,375.00	22,033,538.58
6/30/21	1,759,893.75	3,870,610.00	1,455,050.00	413,100.00	2,483,785.53	529,493.76	4,598,393.76	1,547,600.00	1,607,801.26	1,811,250.00	20,076,978.06
6/30/22	1,755,137.50	3,866,075.00	1,453,850.00	—	2,598,916.88	529,493.76	4,604,268.76	1,550,750.00	1,607,801.26	1,810,300.00	19,776,593.16
6/30/23	1,748,243.75	3,876,500.00	1,456,350.00	—	2,591,442.07	529,493.76	3,174,018.76	1,545,450.00	1,607,801.26	1,810,650.00	18,339,949.60
6/30/24	1,744,093.75	2,566,180.00	1,453,125.00	—	2,582,684.94	529,493.76	3,179,893.76	1,544,700.00	1,607,801.26	1,809,500.00	17,017,472.47
6/30/25	1,737,568.75	1,130,415.00	1,448,875.00	—	2,578,254.32	529,493.76	3,183,893.76	1,546,737.50	1,607,801.26	1,811,775.00	15,574,814.35
6/30/26	1,728,668.75	—	1,442,625.00	—	5,146,638.32	529,493.76	3,153,743.76	1,544,775.00	1,607,801.26	—	15,153,745.85
6/30/27	1,727,156.25	—	1,439,250.00	—	—	529,493.76	3,144,421.88	1,545,337.50	1,607,801.26	—	9,993,460.65
6/30/28	1,717,912.50	—	1,438,500.00	—	—	1,376,112.51	3,137,750.00	1,546,375.00	2,469,676.26	—	11,686,326.27
6/30/29	1,715,818.75	—	1,435,250.00	—	—	1,382,871.88	—	1,542,725.00	2,482,254.38	—	8,558,920.01
6/30/30	1,708,750.00	—	1,434,375.00	—	—	1,386,675.00	—	1,542,800.00	2,487,520.00	—	8,560,120.00
6/30/31	1,696,625.00	—	1,435,625.00	—	—	1,389,462.50	—	—	2,495,376.25	—	7,017,088.75
6/30/32	1,686,125.00	—	1,438,750.00	—	—	1,401,087.50	—	—	2,501,160.00	—	7,027,122.50
6/30/33	—	—	1,438,625.00	—	—	1,407,278.13	—	—	2,506,478.13	—	5,352,381.26
6/30/34	—	—	1,440,125.00	—	—	1,412,778.13	—	—	2,506,206.26	—	5,359,109.39
6/30/35	—	—	—	—	—	1,414,515.63	—	—	2,504,078.13	—	3,918,593.76
6/30/36	—	—	—	—	—	1,422,221.88	—	—	2,504,990.63	—	3,927,212.51
6/30/37	—	—	—	—	—	—	—	—	2,503,840.63	—	2,503,840.63
6/30/38	—	—	—	—	—	—	—	—	2,500,628.13	—	2,500,628.13
6/30/39	—	—	—	—	—	—	—	—	2,500,250.01	—	2,500,250.01
6/30/40	—	—	—	—	—	—	—	—	2,497,603.13	—	2,497,603.13
6/30/41	—	—	—	—	—	—	—	—	2,492,687.50	—	2,492,687.50
6/30/42	—	—	—	—	—	—	—	—	2,490,400.00	—	2,490,400.00
6/30/43	—	—	—	—	—	—	—	—	2,490,534.38	—	2,490,534.38
6/30/44	—	—	—	—	—	—	—	—	2,492,884.38	—	2,492,884.38
6/30/45	—	—	—	—	—	—	—	—	2,497,243.75	—	2,497,243.75
6/30/46	—	—	—	—	—	—	—	—	2,503,406.25	—	2,503,406.25
6/30/47	—	—	—	—	—	—	—	—	2,506,268.75	—	2,506,268.75
6/30/48	—	—	—	—	—	—	—	—	2,515,625.00	—	2,515,625.00
6/30/49	—	—	—	—	—	—	—	—	2,526,165.63	—	2,526,165.63
6/30/50	—	—	—	—	—	—	—	—	2,532,787.51	—	2,532,787.51
6/30/51	—	—	—	—	—	—	—	—	2,545,284.38	—	2,545,284.38
6/30/52	—	—	—	—	—	—	—	—	2,558,346.88	—	2,558,346.88
6/30/53	—	—	—	—	—	—	—	—	2,566,871.88	—	2,566,871.88
	$31,420,743.75	$38,443,688.75	$28,075,674.03	$18,214,225.00	$26,122,470.38	$19,476,422.04	$60,017,872.00	$24,361,850.00	$86,079,984.61	$15,691,550.00	$347,904,480.56

(1) Does not reflect the results of the issuance of the 2015 Refunding Bonds or the Bonds of this issue.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIIIA of the California Constitution

Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for payment of the District's bonds approved at the 2006 and 2008 elections falls within the exception for bonds approved by a 55% vote.

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

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

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

Legislation Implementing Article XIIIA

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

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

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

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

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

Article XIIIB of the California Constitution

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

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

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

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

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

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

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

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

Unitary Property

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

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

California Lottery

In the November 1984 general election, the voters of the State approved a Constitutional Amendment establishing a California State Lottery (the "State Lottery"), the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education.

The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In 2014-15, the District budgets to receive $1,791,372 in State Lottery aid, representing approximately 1% of the District's general fund revenues. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

Proposition 46

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

Proposition 39

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

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

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

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

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

Article XIIIC and XIIID of the California Constitution

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

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

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

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

Propositions 98 and 111

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

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

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

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

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

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

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

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

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

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

Kindergarten-University Public Education Facilities Bond Act of 2006

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

Proposition 30

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

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

Future Initiatives

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

State Funding of Education; State Budget Process

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

State funding is guaranteed to a minimum level for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. The funding guarantee is known as "Proposition 98," a constitutional and statutory initiative amendment adopted by the State's voters in 1988, and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the State Constitution).

Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is at the heart of annual budget negotiations and adjustments.

Adoption of Annual State Budget. According to the State Constitution, the Governor of the State (the "Governor") must propose a budget to the State Legislature no later than January 10 of each year. Under an initiative constitutional amendment approved by the State's voters on November 2, 2010 as "Proposition 25", a final budget must be adopted by a majority vote (rather than a two-third majority, as was the case prior to the passage of Proposition 25) of each house of the Legislature no later than June 15, although this deadline has been breached in the past. Any tax increase provision of such final budget shall continue to require approval by a two-thirds majority vote of each house of the State Legislature. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the 2013-14 Budget on June 27, 2013.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. The State Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website: www.sco.ca.gov. Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues.

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

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

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

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds one fiscal year to the next; by permanently deferring the year-end apportionment from June 30 to July 2; by suspending Proposition 98, and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

Recent State Budgets

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

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

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

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

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

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

2015-16 Proposed State Budget

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

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

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

2015-16 Proposed State Budget—May Revision

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Supplemental Information Concerning Litigation Against the State of California

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

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

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

State Funding of School Construction

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

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

Proposition 26

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

APPENDIX C

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

BERKELEY UNIFIED SCHOOL DISTRICT
Berkeley, California

FINANCIAL STATEMENTS
June 30, 2014

BERKELEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2014

TABLE OF CONTENTS

BERKELEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2014

TABLE OF CONTENTS
(Continued)

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Berkeley Unified School District
Berkeley, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3 to 12 and the General Fund Budgetary Comparison Schedule and Schedule of Other Postemployment Benefits (OPEB) Funding Progress on pages 43 and 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

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

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by _Government Auditing Standards_

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 15, 2014

BERKELEY UNIFIED SCHOOL DISTRICT

2020 Bonar Street, Berkeley, California 94702

www.berkeley.k12.ca.us

Management's Discussion & Analysis

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

Financial Reports

Two government-wide financial reports are included in the financial statements, the Statement of Net Position and the Statement of Activities, which begin on page 15. These two statements report the District-wide financial condition and activities. The individual fund statements which focus on reporting the District's operations in more detail begin on page 17.

Overview of the Financial Statements

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

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

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

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

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

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

District-wide Statements

The District-wide statements report information about the District's financial position as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Position reports the difference between the District's assets and liabilities and can be used to measure the District's financial health or position.

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

At year end, the District had an 8% increase in its net position over the prior year, increasing from $102.9 million to $111 million.

Statement of Net Position

	Governmental Activities		Percentage Change
ASSETS	2013	2014	2013-14
Current and other assets	131,023,662	92,370,207	
Capital assets	264,781,809	294,743,136	
Total assets	395,805,471	387,113,343	-2%
DEFERD OUTFLOWS			
Deferred loss from refunding of debt	2,302,970	2,086,997	-9%
LIABILITIES			
Long-term debt outstanding	264,979,405	252,997,449	
Other liabilities	30,271,651	25,181,213	
Total liabilities	295,251,056	278,178,662	-6%
NET POSITION			
Invested in capital assets, net of related debt	66,079,440	48,066,183	
Restricted	28,852,869	57,733,399	
Unrestricted	7,925,081	5,222,096	
Total net position	102,857,390	111,021,678	8%

All current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and the state aid formula finance most of these activities

Statement of Activities

	2013	2014
REVENUES		
Program Revenues:		
Charges for Services	886,826	710,076
Operating Grants	29,630,303	28,373,385
Capital Grants and Contributions	5,332,153	559,607
General Revenues		
Property Taxes	79,690,513	83,596,543
Federal and State Aid	36,209,909	41,471,482
Other	5,108,806	2,557,949
Total Revenues	156,858,510	157,269,042
EXPENSES		
Instruction	81,151,895	82,751,816
Instruction Related Services	16,927,380	16,317,120
Pupil Services	12,816,556	13,095,589
Ancillary Services	248,440	236,170
Community Services	173,804	184,178
General Administration	10,777,451	10,737,939
Plant Services	14,700,249	15,401,396
Enterprise Services	2,216,740	128,458
Interest	10,028,852	9,968,246
Other and Other Outgo	(9,434)	283,842
Total Expenses	149,031,933	149,104,754
Increase in Net Assets	7,826,577	8,164,288
Cumulative effect of change in accounting principle	(2,357,382)	
Net Assets - Beginning	97,388,195	102,857,390
Net Assets - Ending	102,857,390	111,021,678

Capital Assets

At year-end, the District's capital assets had an increase of $29.9 million over the prior year. This represents an 11.3% increase over last year's total capital assets, and was primarily due to completion of construction projects in progress.

The following table summarizes the District's capital assets, net of accumulated depreciation:

	2013	2014	Percentage Change 2013-2014
Land	6,908,949	6,908,949	
Improvement of sites	4,800,737	10,420,135	
Buildings	198,651,001	221,027,506	
Equipment	1,304,211	1,072,404	
Work in Process	53,116,911	55,314,142	
Total	$ 264,781,809	$294,743,136	11.3%

Land is accounted for at purchase value, not market value, and is not depreciated. Many of our school sites have low values for today's market because the District acquired the land many decades ago. We have determined the value of school buildings to be the depreciated cost of modernization unless the building is less than 25 years old. The increase in the value of Buildings and Improvement of Sites was primarily due to completion of the West Campus Classrooms and the Derby Field. Once these projects are completed, these costs are transferred to Improvement of Sites or Building assets.

District Indebtedness

At year-end, the District has $253 million of long-term debt. Of that, $240.9 million is General Obligation Bonds secured by property tax increases voted on by local residents. General Obligation Bonds are a long term obligation issued in order to borrow up-front funds for bond measures until property tax proceeds are received from Berkeley residents. In FY 2013-14, there were $11.7 million of General Obligation Bonds redeemed.

	Governmental Activities		Percentage Change
	2013	2014	2013-2014
Compensated absences	1,417,913	1,172,453	
General obligation bonds	252,619,222	240,944,222	
Premiums on General Obligation Bonds	8,350,265	7,819,728	
Post-employment medical benefits	2,592,005	3,061,046	
Total	$ 264,979,405	$252,997,449	-4.5%

Post-Employment Medical Benefits represent the annual unfunded portion that has not yet been reserved for future payments. The accumulated liability balance of $3.1 million for post-employment medical benefits is based on an actuarial study. Compensated Absences represent the amount of liability the District owes for vacation that has been earned but not yet taken or paid out.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*— The District's General Operating, Special Revenue and Capital Projects Funds are included in the governmental funds. Special Revenue Funds include the Adult Education, Child Development, Cafeteria, Deferred Maintenance, Pupil Transportation Equipment and Special Reserve Funds. The Capital Projects Funds include the Building and County School Facilities Funds. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

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

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

Financial Condition of the General Fund

The District's Unaudited Actuals demonstrate the District is fiscally solvent and has met the 3% reserve required by the State of California. The State of California requires all districts reserve 3% of their total expenditures (including transfers out) for economic uncertainties. The District's 3% state reserve requirement of \$3.7 million is partially maintained in the Special Reserve Fund which is reported with the General Fund. As of June 30, 2014, the District ended the year with \$4.5 million in excess of the 3% state reserve requirement in its Unrestricted General fund, after assigning \$1.3 million for salary increases and carryovers.

The State revenue incorporated in the District's financials is based on the Governor' new funding formula for school districts. Governor Brown proposed a Local Control Funding Formula (LCFF) to address the inequitable distribution of resources and ensure student needs drive the allocation of resources. The LCFF replaces revenue limits and most categorical program funding, and restores the significant funding reductions (deficit factor) made to general purpose school funding over the last five years.

The following table summarizes General Fund financial statements:

	General Fund		Percentage Change
	2013	2014	2013-2014
Total Revenues	115,269,280	124,255,374	7.8%
Total Expenditures	118,784,176	120,387,939	1.4%
Other financing sources	96,676	(3,305,777)	-3519.4%
Change in fund balance	$ (3,418,220)	$ 561,658	-116.4%

The surplus in FY 2013-14 represents the net impact of additional funding received as a result of the State's new LCFF, partially offset by increased expenditures salaries and wages due to negotiated increases. The significant increase in other financing sources is also as a result of the LCFF, since contributions to programs that is now included in the LCFF, are now regarded as a contribution. In addition, transfers out from the Revenue Limit, are now shown as a transfer or a contribution. In FY 2013-14, contributions to the Adult Education Program and Cafeteria Fund are reflected as other financing sources.

Cost of General Fund Operations (Funds 01-08)
At year-end, the District's cost of operations was $120.4 million. Total District expenditures were $1.6 million more than the previous year due to increased spending in certificated salaries and contract services and operating expenditures.

	General Fund		Percentage Change
	2013	2014	2013-2014
Certificated salaries	51,751,040	53,661,372	3.7%
Classified salaries	22,609,775	22,136,863	-2.1%
Employee benefits	21,959,753	21,033,653	-4.2%
Books and supplies	3,762,230	3,981,281	5.8%
Contract services and operating expenditures	18,460,371	19,445,206	5.3%
Capital outlay	219,954	118,770	-46.0%
Other outgo	21,053	10,794	100.0%
Total	$ 118,784,176	$ 120,387,939	1.4%

Budget to Actual Analysis – General Fund (Funds 01-08)

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

	Final Budget 2014	Actual 2014	Percentage Variance
Revenues			
Local Control Funding Formula	69,067,988	69,922,040	
Federal Revenues	4,178,069	3,817,062	
State Revenues	7,562,289	7,365,391	
Local Revenues	42,794,753	43,150,881	
Total Revenues	$ 123,603,099	$ 124,255,374	0.53%
Expenditures			
Salaries & Benefits	99,058,844	96,831,888	
Books & Supplies	3,790,422	3,981,281	
Services & Other Operating	19,736,140	19,445,206	
Capital Outlay Other Outgo	288,965	129,564	
Total Expenditures	$ 122,874,371	$ 120,387,939	2.02%

Revenues were $.7 million more than budgeted, due in part, to addition gap funding received under the LCFF. Total expenditures were $2.5 million less than budgeted due partly to unexpended program funding that was assigned in ending fund balance. In addition, there was also salary savings due to budgeted negotiated salary increases that were paid in the following year.

Cost of General Fund Operations (Fund 01 - Unrestricted)

At year-end, the District's cost of operations in the Unrestricted General Fund 01 was $73.1 million. Total District expenditures were $6.2 million more than the previous year primarily due to increase in salaries and benefits as a result of a 3.53% certificated salary increase FY 2013-14. A summary of the cost of operations is as follows:

	Fund 01- Unrestricted General Fund		Percentage Change
	2013	2014	2013-2014
Certificated salaries	37,539,925	39,722,442	5.8%
Classified salaries	8,793,100	10,910,795	24.1%
Employee benefits	12,625,577	13,346,583	5.7%
Books and supplies	1,367,354	1,793,938	31.2%
Contract services and operating expenditures	6,392,311	7,274,044	13.8%
Capital outlay	165,925	23,648	-85.7%
Total	$ 66,884,192	$ 73,071,450	9.3%

Budget to Actual Analysis – Unrestricted General Fund (Fund 01)

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

		Final Budget 2014		Actual 2014	Percentage Variance
Revenues					
LCFF Funding		67,993,321		69,439,595	
State Revenues		1,758,445		1,874,161	
Local Revenues		1,664,731		1,937,287	
Total Revenues	$	71,416,497	$	73,251,043	2.6%
Expenditures					
Salaries & Benefits		64,377,629		63,979,820	
Books & Supplies		2,232,465		1,793,938	
Services & Other Operating		7,580,311		7,274,044	
Capital Outlay		24,769		23,648	
Total Expenditures	$	74,215,174	$	73,071,450	1.5%

Total actual revenues received were $1.9 million higher than budgeted revenues, partially due to the receipt of LCFF funding and additional reimbursements received by the district. Total expenditures were $1.1 million less than budgeted due to savings generated from budget reductions and unexpended funds. Unexpended funds were assigned in the fund balance.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As of October 31, 2014, the District's Unrestricted General Fund has a projected ending fund balance of $4.7 million in excess of the 3% State reserve requirement, and is deficit spending by $1 million. The fund balance increased by $.5 million since Budget Adoption, due in part to the increase in State funding due to increased ADA.

We calculated unrestricted state funding using Department of Finance (DOF) assumptions in the Fiscal Crisis and Management Assistant team (FCMAT) Local Control Funding Formula (LCFF) calculator. The technical details of how to calculate LCFF entitlements are becoming routine with the benefit of a full year of implementation, the California Department of Education's (CDE) 2013-14 P-2 certification, and continued refinements to the FCMAT LCFF calculator.

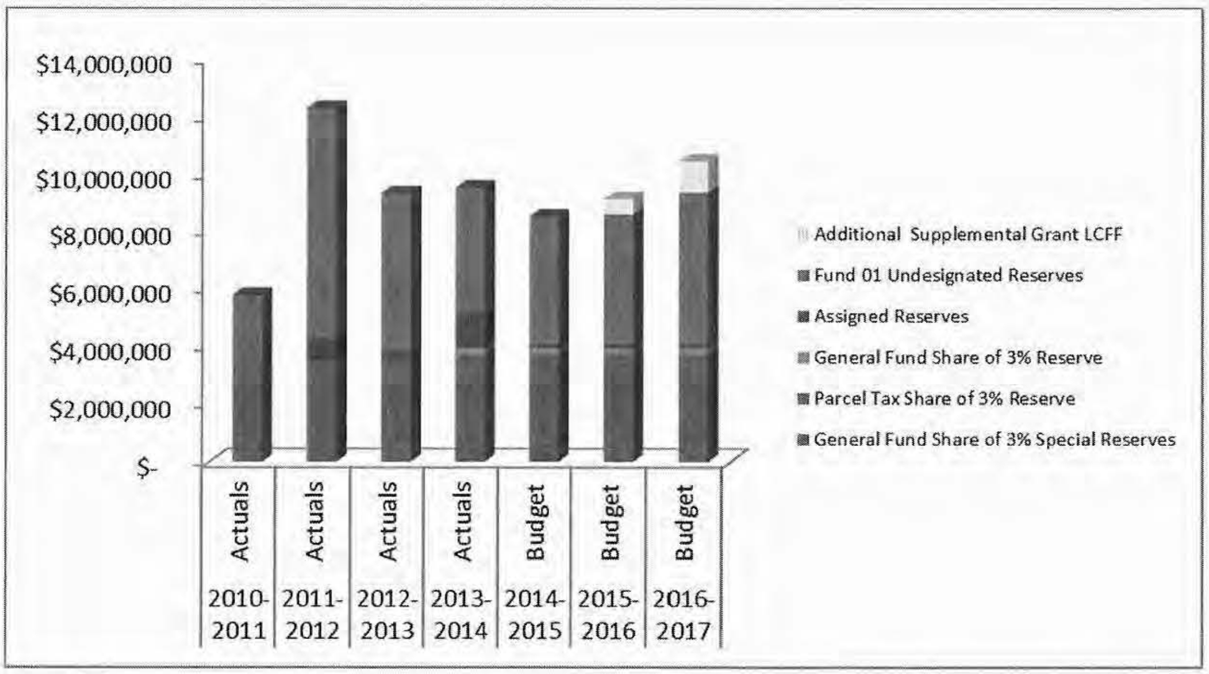
What is the local funding formula (LCFF)? Beginning in FY 2013-14, the State legislature passed Governor Brown's new funding formula entitled the Local Control Funding Formula (LCFF). The LCFF is intended to provide a funding mechanism that is simple and transparent, while allowing districts flexibility in resource allocation to address the inequitable distribution of resources, and ensure student needs drive the allocation of resources. While the LCFF is simple in concept, it is complex in application. It replaces the prior revenue limit formula and most categorical program funding, and over time restores the significant funding reductions made to general purpose school funding over the last five years. The funding formula will be implemented over an eight year period. Over eight years, the State hopes to have enough new money to restore all state funding cuts made since 2007-08 and completely fill the gap in our funding. Each year the State will pass the budget and fund a percentage of the gap in funding.

At First Interim, State Budget actions caused a substantial drop in the DOF forecast of FY 2015-16 LCFF gap closure. The gap closure was revised from 30.39% to 20.68%, nearly a ten percentage point fall, equivalent to a decline of 32% in funding available for LCFF implementation. Before it is final, the forecast could change again based on the Governor's January 2015 Budget introduction, and subsequent action by the Legislature. The District's gap in funding over the eight year period began at a total of $15,360,442. In FY 2013-14, 11.78 % of the gap was funded and this year another 29.56% of the remaining gap will be funded. It is not known how much of the gap will actually be funded until the final State Budget. Staff's budget assumptions used to determine the gap funding for FY 2015-16 and FY 2016-17 was determined by an average percentage between

14.29% for FY 2015-16 which is the average percentage between School Services gap percentage of 7.9% and the DOF's percentage of 20.68%. The District is using 16.84% for FY 2016-17 which is the average percentage between School Services gap percentage of 8.2% and DOF's percentage of 25.48%. The final State Budget may fund the gap percentage higher or lower than the District's somewhat middle ground percentage.

Based on the District's Multi-year Projections, the District's Unrestricted General Fund is projected to have an ending fund balance of $5.3 million for FY 2015-16 and $6.7 million for FY 2016-17. However, if programs and staffing being funded by one-time expenditures in the amount of $.9 million are continued from FY 2014-15 to the subsequent fiscal year, the ending fund balance for FY 2015-16 and FY 2016-17 will be $4.4 million and $4.9 million, respectively. A portion of this ending fund balance represents the annual increase in supplemental grant funding generated based on targeted students that has not yet been included in the expenditure budget in the Multi-year Projections. The additional supplemental grant funding of $.5 million for FY 2015-16 and cumulative $1 million for FY 2016-17 is set aside and designated as a part of the ending fund balance along with other designations for each respective fiscal year leaving undesignated fund balance of $4.6 million and $5.7 million, respectively. The supplemental grant funds will be expended in accordance with the LCAP that is required by the new funding formula.

Keep in mind, the District has not negotiated salaries for all unions for FY 2015-16 and subsequent years or budgeted for the Classification Study. In addition, the Board has a priority to increase and improve services for Career Technical Education (CTE), and to address funding for the District's Regional Occupation Program (ROP).



CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information please feel free to contact Javetta Cleveland, Deputy Superintendent or Pauline Follansbee, Director of Fiscal Services at 510-644-8593.

BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

BERKELEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 78,031,949
Receivables	14,246,373
Stores inventory	91,885
Non-depreciable capital assets (Note 4)	62,223,091
Depreciable capital assets, net of accumulated depreciation (Note 4)	232,520,045
Total assets	387,113,343
DEFERRED OUTFLOWS	
Deferred loss from refunding of debt	2,086,997
LIABILITIES	
Accounts payable	20,514,648
Unpaid claims and claim adjustment expenses (Note 9)	3,411,463
Unearned revenue	1,255,102
Long-term liabilities (Note 5):	
Due within one year	12,329,222
Due after one year	240,668,227
Total liabilities	278,178,662
NET POSITION	
Net investment in capital assets	48,066,183
Restricted (Note 6)	57,733,399
Unrestricted	5,222,096
Total net position	$ 111,021,678

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	$ 82,751,816	$ 235,338	$ 15,726,406	$ 559,607	$ (66,230,465)
Instruction-related services:					
Supervision of instruction	7,226,663	29,098	2,445,334	-	(4,752,231)
Instructional library, media and technology	1,937,626	-	2,729	-	(1,934,897)
School site administration	7,152,831	-	18,755	-	(7,134,076)
Pupil services:					
Home-to-school transportation	3,508,890	-	24,198	-	(3,484,692)
Food services	3,564,532	380,658	2,344,591	-	(839,283)
All other pupil services	6,022,167	-	996,459	-	(5,025,708)
General administration:					
Data processing	1,530,131	-	5,172	-	(1,524,959)
All other general administration	9,207,808	45,255	1,137,781	-	(8,024,772)
Plant services	15,401,396	18,232	315,203	-	(15,067,961)
Ancillary services	236,170	-	5,165	-	(231,005)
Community services	184,178	-	16,216	-	(167,962)
Enterprise services	128,458	-	-	-	(128,458)
Interest on long-term liabilities	9,968,246	-	-	-	(9,968,246)
Other outgo	283,842	1,495	5,335,376	-	5,053,029
Total governmental activities	$ 149,104,754	$ 710,076	$ 28,373,385	$ 559,607	(119,461,686)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					30,324,720
Taxes levied for debt service					22,280,368
Taxes levied for other specific purposes					30,991,455
Federal and state aid not restricted to specific purposes					41,471,482
Interest and investment earnings					181,624
Interagency revenues					318,792
Miscellaneous					2,057,533
Total general revenues					127,625,974
Change in net position					8,164,288
Net position, July 1, 2013					102,857,390
Net position, June 30, 2014					$ 111,021,678

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	$ 17,038,778	$ 35,025,448	$ 18,002,989	$ 1,366,197	$ 71,433,412
Cash on hand and in banks	43,592	-	-	245,358	288,950
Cash in revolving fund	100,000	-	-	-	100,000
Receivables	13,019,583	29,756	12,396	1,180,182	14,241,917
Due from other funds	647,068	-	-	720	647,788
Stores inventory	-	-	-	91,885	91,885
Total assets	$ 30,849,021	$ 35,055,204	$ 18,015,385	$ 2,884,342	$ 86,803,952
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 12,864,669	$ 2,978,779	$ -	$ 373,764	$ 16,217,212
Unearned revenue	793,603	-	-	461,499	1,255,102
Due to other funds	720	-	-	647,068	647,788
Total liabilities	13,658,992	2,978,779	-	1,482,331	18,120,102
Fund balances:					
Nonspendable	100,000	-	-	91,885	191,885
Restricted	4,050,847	32,076,425	18,015,385	1,310,126	55,452,783
Assigned	4,825,877	-	-	-	4,825,877
Unassigned	8,213,305	-	-	-	8,213,305
Total fund balances	17,190,029	32,076,425	18,015,385	1,402,011	68,683,850
Total liabilities and fund balances	$ 30,849,021	$ 35,055,204	$ 18,015,385	$ 2,884,342	$ 86,803,952

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT

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

June 30, 2014

Total fund balances - Governmental Funds		$ 68,683,850
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $404,413,607 and the accumulated depreciation is $109,670,471 (Note 4).		294,743,136
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2014 consisted of (Note 5):		
General Obligation Bonds	$ (240,944,222)	
Premiums on General Obligation Bonds	(7,819,728)	
Other postemployment benefits (Note 8)	(3,061,046)	
Compensated absences	(1,172,453)	
		(252,997,449)
Losses on the refunding of debt are recognized as expenditure in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding debt.		2,086,997
The Self-Insurance Fund is used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because the Self-Insurance Fund is presumed to operate for the benefit of governmental activities, assets and liabilities of the Self-Insurance Fund are reported with governmental activities in the statement of net position.		2,188,731
In governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		(3,683,587)
Total net position - governmental activities		$ 111,021,678

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	$ 41,354,237	$ -	$ -	$ -	$ 41,354,237
Local sources	28,567,803	-	-	-	28,567,803
Total LCFF	69,922,040	-	-	-	69,922,040
Federal sources	3,817,062	-	1,087,232	4,020,451	8,924,745
Other state sources	7,365,391	-	183,924	3,960,102	11,509,417
Other local sources	43,150,881	112,345	22,122,622	1,526,995	66,912,843
Total revenues	124,255,374	112,345	23,393,778	9,507,548	157,269,045
Expenditures:					
Certificated salaries	53,661,372	-	-	4,084,095	57,745,467
Classified salaries	22,136,863	242,590	-	3,510,445	25,889,898
Employee benefits	21,033,653	76,466	-	2,156,305	23,266,424
Books and supplies	3,981,281	886,494	-	1,929,047	6,796,822
Contract services and operating expenditures	19,445,206	245,929	-	337,281	20,028,416
Capital outlay	118,770	34,744,616	-	-	34,863,386
Other outgo	10,794	-	-	-	10,794
Debt service:					
Principal retirement	-	-	11,675,000	-	11,675,000
Interest	-	-	9,968,246	-	9,968,246
Total expenditures	120,387,939	36,196,095	21,643,246	12,017,173	190,244,453
Excess (deficiency) of revenues over (under) expenditures	3,867,435	(36,083,750)	1,750,532	(2,509,625)	(32,975,408)
Other financing sources (uses):					
Operating transfers in	681,356	5,896,978	-	3,743,637	10,321,971
Operating transfers out	(3,987,133)	-	-	(6,578,334)	(10,565,467)
Total other financing sources (uses)	(3,305,777)	5,896,978	-	(2,834,697)	(243,496)
Net change in fund balances	561,658	(30,186,772)	1,750,532	(5,344,322)	(33,218,904)
Fund balances, July 1, 2013	16,628,371	62,263,197	16,264,853	6,746,333	101,902,754
Fund balances, June 30, 2014	$ 17,190,029	$ 32,076,425	$ 18,015,385	$ 1,402,011	$ 68,683,850

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT

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

For the Year Ended June 30, 2014

Net change in fund balances - Total Governmental Funds	$ (33,218,904)
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	36,305,256
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(6,343,929)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	11,675,000
In governmental funds, premiums on the issuance of debt is recognized as revenue. In government-wide statements, premiums are reported as adjustments to the related debt (Note 5).	530,537
In the statement of activities, expenses related to post-retirement employee benefits and compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Notes 5 and 8).	(223,581)
Losses on the refunding of debt are recognized as expenditure in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding debt.	(215,973)
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.	329,563
The Self-Insurance Fund is used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because the Self-Insurance Fund is presumed to operate for the benefit of governmental activities, Self-Insurance Fund activities are reported with governmental activities in the statement of activities.	(673,681)
Change in net position of governmental activities	$ 8,164,288

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND

SELF-INSURANCE FUND

June 30, 2014

ASSETS	
Cash and investments:	
Cash in County Treasury	$ 5,959,587
Cash with Fiscal Agent	250,000
Receivables	4,456
Total current assets	6,214,043
LIABILITIES	
Accounts payable	613,849
Self-insurance claims liabilities	3,411,463
Total current liabilities	4,025,312
NET POSITION	
Restricted	$ 2,188,731

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUND

SELF-INSURANCE FUND

For the Year Ended June 30, 2014

Operating revenues:	
In-district contributions	$ 1,781,077
Other local	40
Total operating revenues	1,781,117
Operating expenses:	
Classified salaries	166,945
Employee benefits	59,393
Books and supplies	47,724
Claims expense	2,438,013
Total operating expenses	2,712,075
Operating loss	(930,958)
Non-operating income:	
Interest income	13,781
Transfers from other funds	243,496
Total non-operating income	257,277
Change in net position	(673,681)
Net position, July 1, 2013	2,862,412
Net position, June 30, 2014	$ 2,188,731

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

SELF-INSURANCE FUND

For the Year Ended June 30, 2014

Cash flows from operating activities:	
Cash received from user charges	$ 2,280,854
Cash paid to employees for services	(226,338)
Cash paid for insurance claims	(2,438,013)
Cash paid for books and supplies	(47,724)
Net cash used in operating activities	(431,221)
Cash flows provided by non-capital financing activities:	
Transfer from other funds	243,496
Cash flows provided by investing activities:	
Interest income	13,781
Change in cash and investments	(173,944)
Cash and investments, July 1, 2013	6,383,531
Cash and investments, June 30, 2014	$ 6,209,587
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (930,958)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in receivables	(642)
Increase in accounts payable	500,379
Total adjustments	499,737
Net cash used in operating activities	$ (431,221)

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

ALL AGENCY FUNDS

June 30, 2014

	Warrant Pass Through Fund	Student Body Funds
ASSETS		
Cash and investments (Note 2):		
Cash in County Treasury	$ 2,453,061	$ -
Cash on hand and in banks	-	358,429
Total assets	$ 2,453,061	$ 358,429
LIABILITIES		
Due to statutory agencies	$ 2,453,061	$ -
Due to student groups	-	358,429
Total liabilities	$ 2,453,061	$ 358,429

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Basis of Presentation - Financial Statements

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

Basis of Presentation - Government-Wide Financial Statements

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting

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

A - Major Funds

1 - General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. The activity of the Special Reserve for Other than Capital Outlay Fund is included with the General Fund, for financial reporting purposes.

2 - Building Fund:

The Building Fund is used to account for resources used for the acquisition of capital facilities by the District.

3 - Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

B - Other Funds

1 - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This includes the Adult Education, Child Development, Cafeteria and Pupil Transportation Equipment Funds.

2 - The County School Facilities Fund is used to account for resources used for new school facilities construction, modernization projects, facility hardship grants, and for acquisition of capital facilities of the District.

3 - The Tax Override Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Basis of Accounting

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

Accrual

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

Modified Accrual

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

Budgets and Budgetary Accounting

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

Receivables

Receivables are made up principally of amounts due from the State of California for Local Control Funding Formula and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2014.

Stores Inventory

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

Capital Assets

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

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has one item that qualifies for reporting in this category, which is the deferred loss on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Amortization for the year ended June 30, 2014 totaled $215,973.

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

Compensated Absences

Compensated absences in the amount of $1,172,453 is recorded as a liability of the District. The liability is for earned but unused benefits.

Accumulated Sick Leave

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

Unearned Revenue

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

Encumbrances

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

Restricted Net Position

Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues represents the portion of net position restricted to specific program expenditures. The restrictions for special revenues, capital projects and debt repayment represents the portion of net position restricted for special purposes, capital projects and the retirement of debt. The restriction for self insurance represents the portion of net position which will be used for payment of workers compensation claims. It is the District's policy to first use restricted net position when allowable expenditures are incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Fund Balance Classifications

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash and stores inventory.

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide and fiduciary trust fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Trustees. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Trustees is required to remove any commitment from any fund balance. At June 30, 2014, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Trustees has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Trustees can designate personnel with the authority to assign fund balances, however, as of June 30, 2014, no such designation has occurred.

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Fund Balance Policy

The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. At June 30, 2014, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes

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

Eliminations and Reclassifications

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

Estimates

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

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

New Accounting Pronouncements

In March 2012 GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

In June 2012 GASB issued Statement No. 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

In June 2012 GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's fiscal year ending June 30, 2015. Management has not determined what impact this GASB statement will have on its financial statements, however it is expected to be significant.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In November 2013 GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Management has not determined what impact this GASB statement will have on its financial statements.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2014 consisted of the following:

	Governmental Activities			
	Governmental Funds	Proprietary Fund	Total	Fiduciary Activities
Pooled funds:				
Cash in County Treasury	$ 71,433,412	$ 5,959,587	$ 77,392,999	$ 2,453,061
Deposits:				
Cash in revolving fund	100,000	-	100,000	-
Cash on hand and in banks	288,950	-	288,950	358,429
Cash with Fiscal Agent	-	250,000	250,000	-
Total cash and investments	$ 71,822,362	$ 6,209,587	$ 78,031,949	$ 2,811,490

Pooled Funds

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

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

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

2. CASH AND INVESTMENTS (Continued)

Deposits - Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2014, the carrying amount of the District's accounts was $747,379 and the bank balance was $1,923,440. $541,633 of the bank balance was FDIC insured and $1,381,807 remained uninsured but fully collateralized.

Cash with Fiscal Agent

Cash with Fiscal Agent in the Self-Insurance Fund represents a security deposit held by a third party.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2014, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

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

3. INTERFUND TRANSACTIONS (Continued)

Interfund Receivables/Payables

Interfund receivable and payable balances at June 30, 2014 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Fund:		
General	$ 647,068	$ 720
Non-Major Funds:		
Adult Education	-	162,060
Child Development	-	305,843
Cafeteria	720	179,165
Totals	$ 647,788	$ 647,788

Interfund Transfers

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

Interfund transfers for the 2013-2014 fiscal year were as follows:

Transfer from the General Fund to the Adult Education Fund for support.	$ 2,723,819
Transfer from the General Fund to the Child Development Fund for support.	306,000
Transfer from the General Fund to the Cafeteria Fund for Meals for the needy due to LCFF.	713,818
Transfer from the General Fund to the Self Insurance Fund for indirect cost support.	243,496
Transfer from the Adult Education Fund to the General Fund for indirect cost support.	154,141
Transfer from the Child Development Fund to the General Fund for indirect cost support.	304,745
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	222,470
Transfer from the County School Facilities Fund to the Building Fund for indirect cost support.	5,896,978
	$ 10,565,467

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2014, is shown below:

	Balance July 1, 2013	Additions	Transfers	Balance June 30, 2014
Non-depreciable:				
Land	$ 6,908,949	$ -	$ -	$ 6,908,949
Work-in-process	53,116,911	36,081,154	(33,883,923)	55,314,142
Depreciable:				
Improvement of sites	10,970,594	-	6,112,953	17,083,547
Buildings	286,718,420	-	27,770,970	314,489,390
Equipment	10,393,477	224,102	-	10,617,579
Totals, at cost	368,108,351	36,305,256	-	404,413,607
Less accumulated depreciation:				
Improvement of sites	(6,169,857)	(493,555)	-	(6,663,412)
Buildings	(88,067,419)	(5,394,465)	-	(93,461,884)
Equipment	(9,089,266)	(455,909)	-	(9,545,175)
Total accumulated depreciation	(103,326,542)	(6,343,929)	-	(109,670,471)
Capital assets, net	$ 264,781,809	$ 29,961,327	$ -	$ 294,743,136

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 3,764,913
Instructional supervision and administration	304,498
Instructional library, media and technology	89,957
School site administration	359,742
Home-to-school transportation	182,123
Food services	162,712
All other pupil services	229,125
Ancillary services	11,529
Community services	9,948
Enterprise activities	124,085
All other general administration	372,060
Centralized data processing	60,332
Plant services	672,905
Total depreciation expense	$ 6,343,929

5. LONG-TERM LIABILITIES

General Obligation Bonds

In May 2005, the District issued 2005 General Obligation Refunding Bonds, totaling $19,090,000, for the purpose of refunding the District's 1992 General Obligation Bonds, Series I. The 2005 General Obligation Refunding Bonds bear interest at rates ranging from 3.00% to 4.25% and are scheduled to mature through August 1, 2024.

In July 2005, the District issued General Obligation Bonds, Election of 2000, Series 2005 totaling $24,500,000, for the purpose of financing projects to repair, upgrade and add new classrooms. The Series 2005 General Obligation Bonds bear interest at rates ranging from 3.35% to 7.00% and are scheduled to mature through August 1, 2029.

In June 2007, the District issued General Obligation Bonds, Election of 2000, Series 2007 totaling $24,500,000, for the purpose of financing projects to repair, upgrade and add new classrooms. The Series 2007 General Obligation Bonds bear interest at rates ranging from 4.75% to 5.00% and are scheduled to mature through August 1, 2031.

In July 2008, the District issued 2008 General Obligation Refunding Bonds, totaling $43,300,000, for the purpose of refunding the District's 1992 General Obligation Bonds, Series G and H, and General Obligation Bonds, Election of 2000, Series 2001. The 2008 General Obligation Refunding Bonds bear interest at rates ranging from 3.00% to 4.60% and are scheduled to mature through August 1, 2024.

In May 2009, the District issued 2009 General Obligation Bonds totaling $17,774,222, for the purpose of financing renovations and modernization projects of school facilities. The 2009 General Obligation Bonds bear interest at rates ranging from 3.375% to 5.00% and are scheduled to mature through August 1, 2033.

In November 2009, the District issued 2009 General Obligation Refunding Bonds, totaling $25,440,000, for the purpose of refunding the District's 1998 General Obligation Refunding Bonds. The 2009 General Obligation Refunding Bonds bear interest at rates ranging from 2.00% to 5.00% and are scheduled to mature through August 1, 2020.

In May 2011, the District issued General Obligation Bonds, Election of 2010, Series A and General Obligation Bonds, Election of 2010, Series B totaling $25,000,000 and $10,000,000, respectively, for the purpose of financing renovations and modernization projects of school facilities. The 2010 Series A General Obligation Bonds bear interest at rates ranging from 3.50% to 5.00% and are scheduled to mature through May 1, 2026. The 2010 Series B General Obligation Bonds bear interest at rates ranging from 5.00% to 5.375% and are scheduled to mature through August 1, 2035.

In September 2011, the District issued 2011 General Obligation Refunding Bonds, totaling $55,625,000, for the purpose of refunding the District's General Obligation Bonds, Election of 2000, Series 2003 and the District's 2004 General Obligation Refunding Bonds. The 2011 General Obligation Refunding Bonds bear interest at rates ranging from 2.00% to 5.00% and are scheduled to mature through August 1, 2027.

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

In February 2013, the District issued 2013 General Obligation Refunding Bonds, Series A, totaling $19,590,000. The proceeds of the Bonds were used to refund a portion of the outstanding balance of the Election of 2000, Series 2005 General Obligation Bonds. The 2013 General Obligation Refunding Bonds, Series A bear interest at rates ranging from 2.00% to 4.00% and are scheduled to mature through August 1, 2029. As of June 30, 2013, $19,830,000 of the Election of 2000, Series 2005 General Obligation Bonds outstanding are considered defeased.

In May 2013, the District issued General Obligation Bonds, Election of 2010, Series C totaling $40,000,000 for the purpose of financing renovations and modernization projects of school facilities. The 2010 Series C General Obligation Bonds bear interest at rates ranging from 3.00% to 4.125% and are scheduled to mature through August 1, 2052.

In June 2013, the District issued 2013 General Obligation Refunding Bonds, Series B, totaling $13,000,000. The proceeds of the Bonds were used to refund a portion of the outstanding balance of the 2005 General Obligation Refunding Bonds. The 2013 General Obligation Refunding Bonds, Series B bear interest at rates ranging from 3.00% to 5.00% and are scheduled to mature through August 1, 2024.

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

Issue Date	Original Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2013	Bonds Issued	Bonds Redeemed	Bonds Outstanding June 30, 2014
05/19/05	08/01/24	3.00 - 4.25%	$ 19,090,000	$ 975,000	$ -	$ 975,000	$ -
07/28/05	08/01/29	3.35 - 7.00%	24,500,000	880,000	-	880,000	-
06/28/07	08/01/31	4.75 - 5.00%	24,500,000	21,820,000	-	755,000	21,065,000
07/30/08	08/01/24	3.00 - 4.60%	43,300,000	33,830,000	-	2,505,000	31,325,000
05/26/09	08/01/33	3.375 - 5.00%	17,774,222	17,774,222	-	-	17,774,222
11/10/09	08/01/20	2.00 - 5.00%	25,440,000	18,590,000	-	2,315,000	16,275,000
05/10/11	05/01/26	3.50 - 5.50%	25,000,000	25,000,000	-	-	25,000,000
05/10/11	08/01/35	5.00 - 5.375%	10,000,000	10,000,000	-	-	10,000,000
09/29/11	08/01/27	2.00 - 5.00%	55,625,000	51,160,000	-	3,975,000	47,185,000
02/05/13	08/01/29	2.00 - 4.00%	19,590,000	19,590,000	-	-	19,590,000
05/13/13	08/01/52	3.00 - 4.12%	40,000,000	40,000,000	-	-	40,000,000
06/27/13	08/01/24	3.75 - 4.25%	13,000,000	13,000,000	-	270,000	12,730,000
			$ 317,819,222	$ 252,619,222	$ -	$ 11,675,000	$ 240,944,222

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds mature as follows:

Year Ending June 30,	Principal	Interest	Total
2015	$ 12,329,222	$ 9,473,158	$ 21,802,380
2016	11,920,000	9,008,941	20,928,941
2017	13,025,000	8,530,887	21,555,887
2018	14,555,000	8,410,399	22,965,399
2019	14,725,000	7,814,828	22,539,828
2020-2024	70,930,000	29,524,616	100,454,616
2025-2029	44,435,000	17,037,350	61,472,350
2030-2034	23,290,000	10,025,822	33,315,822
2035-2039	9,020,000	6,330,525	15,350,525
2040-2044	7,725,000	4,739,109	12,464,109
2045-2049	9,585,000	2,963,709	12,548,709
2050-2053	9,405,000	798,291	10,203,291
	$ 240,944,222	$ 114,657,635	$ 355,601,857

Schedule of Changes in Long-Term Liabilities

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

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Amounts Due Within One Year
General Obligation Bonds	$ 252,619,222	$ -	$ 11,675,000	$ 240,944,222	$ 12,329,222
Premiums on General Obligation Bonds	8,350,265	-	530,537	7,819,728	-
Other postemployment benefits (Note 8)	2,592,005	2,562,805	2,093,764	3,061,046	-
Compensated absences	1,417,913	-	245,460	1,172,453	-
	$ 264,979,405	$ 2,562,805	$ 14,544,761	$ 252,997,449	$ 12,329,222

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

6. NET POSITION / FUND BALANCES

The restricted net position as of June 30, 2014 consisted of the following:

	Governmental Activities
Restricted for:	
Unspent categorical program revenues	$ 4,050,847
Special revenue	1,339,068
Capital projects	32,078,004
Debt service	18,076,749
Self-insurance	2,188,731
	$ 57,733,399

Fund balances, by category, at June 30, 2014 consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	$ 100,000	$ -	$ -	$ -	$ 100,000
Stores inventory	-	-	-	91,885	91,885
Subtotal nonspendable	100,000	-	-	91,885	191,885
Restricted:					
Unspent categorical revenues	4,050,847	-	-	-	4,050,847
Special revenue	-	-	-	1,247,183	1,247,183
Capital projects	-	32,076,425	-	1,579	32,078,004
Debt service	-	-	18,015,385	61,364	18,076,749
Subtotal restricted	4,050,847	32,076,425	18,015,385	1,310,126	55,452,783
Assigned:					
Parcel tax revenues	3,630,589	-	-	-	3,630,589
BCCE Negotiations	454,800	-	-	-	454,800
EIA Replacement Funds	677,574	-	-	-	677,574
Instructional Materials	45,828	-	-	-	45,828
Career Technical Ed.	17,086	-	-	-	17,086
Subtotal assigned	4,825,877	-	-	-	4,825,877
Unassigned:					
Designated for economic uncertainty	2,763,124	-	-	-	2,763,124
Undesignated	5,450,181	-	-	-	5,450,181
Subtotal unassigned	8,213,305	-	-	-	8,213,305
Total fund balances	$ 17,190,029	$ 32,076,425	$ 18,015,385	$ 1,402,011	$ 68,683,850

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2013 and 2014 were $2,374,100, $2,554,529 and $2,585,220, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2013-2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2012, 2013 and 2014 were $4,064,138, $4,158,702 and $4,503,362, respectively, and equal 100% of the required contributions for each year. On June 24, 2014 the Governor signed Assembly Bill 1469 which will increase the member contribution to 19.1% over the next seven years.

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

Funding Policy

The contribution requirements of plan members of the District are established and may be amended by the District and the California Teachers Association (CTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, CTA, CSEA and the unrepresented groups. For the fiscal year ended June 30, 2014, the District contributed $2,093,764 to the plan.

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

Annual required contribution	$ 2,446,593
Interest on net OPEB obligation	123,120
Adjustment to annual required contribution	(6,908)
Annual OPEB cost (expense)	2,562,805
Contributions made	(2,093,764)
Increase in net OPEB obligation	469,041
Net OPEB obligation - beginning of year	2,592,005
Net OPEB obligation - end of year	$ 3,061,046

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy (Continued)

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	$ 2,439,943	81.5%	$ 2,180,150
June 30, 2013	$ 2,458,967	83.3%	$ 2,592,005
June 30, 2014	$ 2,562,805	81.7%	$ 3,061,046

As of June 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $16.4 million. The covered payroll (annual payroll of active employees covered by the Plan) was $82.3 million, and the ratio of the UAAL to the covered payroll was 19.9 percent. The OPEB plan is currently operated as a pay-as-you-go plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as Required Supplementary Information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 1, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.75 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, an annual healthcare cost trend rate of 4 percent, and a payroll increase of 2.75 percent, annually. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 29 years.

9. RISK MANAGEMENT

Workers' Compensation

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

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

Claims Liabilities

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

Unpaid Claims Liabilities

The Fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The self insurance program was initiated in January 1, 2004. The following represents the changes in approximate aggregate liabilities for the District from July 1, 2009 to June 30, 2014:

	Self Insurance Programs
Liability balance, June 30, 2012	$ 3,411,463
Claims and changes in estimates	1,801,507
Claims payments	(1,801,507)
Liability balance, June 30, 2013	3,411,463
Claims and changes in estimates	2,438,013
Claims payments	(2,438,013)
Liability balance, June 30, 2014	$ 3,411,463

10. JOINT POWERS AGREEMENT

The District is a member with other school districts of a Joint Powers Authority, Schools Excess Liability Fund (SELF), for the operation of a common risk management and insurance program for property and liability coverage. SELF is governed by a Governing Board consisting of representatives from member districts. The Board controls the operations of SELF, including selections of management and approval of operating budgets. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The following is a summary of financial information for SELF at June 30, 2014 (in thousands):

Total assets	$	162,746
Total liabilities	$	118,853
Net position	$	43,893
Total revenues	$	11,812
Total expenses	$	4,199

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

11. CONTINGENCIES

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

Also, the District has received state and federal funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the financial position or results of operations of the District.

REQUIRED SUPPLEMENTARY INFORMATION

BERKELEY UNIFIED SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula:				
State apportionment	$ 24,644,834	$ 40,697,295	$ 41,354,237	$ 656,942
Local sources	27,140,694	28,370,693	28,567,803	197,110
Total LCFF	51,785,528	69,067,988	69,922,040	854,052
Federal sources	4,788,141	4,178,069	3,817,062	(361,007)
Other state sources	19,998,981	7,562,289	7,365,391	(196,898)
Other local sources	40,921,726	42,794,753	43,150,881	356,128
Total revenues	117,494,376	123,603,099	124,255,374	652,275
Expenditures:				
Certificated salaries	51,751,040	53,661,372	53,661,372	-
Classified salaries	22,609,775	22,136,863	22,136,863	-
Employee benefits	21,959,752	21,033,653	21,033,653	-
Books and supplies	3,762,231	3,981,281	3,981,281	-
Contract services and operating expenditures	18,460,372	19,445,206	19,445,206	-
Capital outlay	219,954	118,770	118,770	-
Other outgo	(643,041)	10,794	10,794	-
Total expenditures	118,120,083	120,387,939	120,387,939	-
(Deficiency) excess of revenues (under) over expenditures	(625,707)	3,215,160	3,867,435	652,275
Other financing sources (uses):				
Operating transfers in	-	681,356	681,356	-
Operating transfers out	(580,468)	-	(3,987,133)	(3,987,133)
Total other financing sources (uses)	(580,468)	681,356	(3,305,777)	(3,987,133)
Net change in fund balance	(1,206,175)	3,896,516	561,658	(3,334,858)
Fund balance, July 1, 2013	16,628,371	16,628,371	16,628,371	-
Fund balance, June 30, 2014	$ 15,422,196	$ 20,524,887	$ 17,190,029	$ (3,334,858)

See notes to required supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
May 1, 2009	$ -	$ 16,344,627	$ 16,344,627	0%	$ 77,894,196	20.9%
May 1, 2011	$ -	$ 16,535,848	$ 16,535,848	0%	$ 70,124,826	23.6%
June 1, 2013	$ -	$ 16,396,275	$ 16,396,275	0%	$ 82,302,521	19.9%

Only three years of actuarial valuation data is provided because the District has only had three valuations performed.

See notes to required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - Schedule of Other Postemployment Benefits Funding Progress

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

SUPPLEMENTARY INFORMATION

BERKELEY UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2014

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Pupil Trans-portation Equipment Fund	County School Facilities Fund	Tax Override Fund	Total
ASSETS							
Cash and investments:							
Cash in County Treasury	$ 374,320	$ 696,130	$ 223,583	$ 9,222	$ 1,578	$ 61,364	$ 1,366,197
Cash on hand and in banks	139,400	28,480	77,478	-	-	-	245,358
Receivables	741,583	53,578	385,013	7	1	-	1,180,182
Due from other funds	-	-	720	-	-	-	720
Stores inventory	-	-	91,885	-	-	-	91,885
Total assets	$ 1,255,303	$ 778,188	$ 778,679	$ 9,229	$ 1,579	$ 61,364	$ 2,884,342
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 220,053	$ 99,837	$ 53,874	$ -	$ -	$ -	$ 373,764
Unearned revenue	212,168	249,331	-	-	-	-	461,499
Due to other funds	162,060	305,843	179,165	-	-	-	647,068
Total liabilities	594,281	655,011	233,039	-	-	-	1,482,331
Fund balances:							
Nonspendable	-	-	91,885	-	-	-	91,885
Restricted	661,022	123,177	453,755	9,229	1,579	61,364	1,310,126
Total fund balances	661,022	123,177	545,640	9,229	1,579	61,364	1,402,011
Total liabilities and fund balances	$ 1,255,303	$ 778,188	$ 778,679	$ 9,229	$ 1,579	$ 61,364	$ 2,884,342

BERKELEY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Pupil Trans-portation Equipment Fund	County School Facilities Fund	Tax Override Fund	Total
Revenues:							
Federal sources	$ 911,863	$ 988,254	$ 2,120,334	$ -	$ -	$ -	$ 4,020,451
Other state sources	-	3,231,055	169,440	-	559,607	-	3,960,102
Other local sources	466,075	634,800	422,897	22	3,201	-	1,526,995
Total revenues	1,377,938	4,854,109	2,712,671	22	562,808	-	9,507,548
Expenditures:							
Certificated salaries	2,116,808	1,967,287	-	-	-	-	4,084,095
Classified salaries	640,326	1,316,404	1,553,715	-	-	-	3,510,445
Employee benefits	587,666	1,002,910	565,729	-	-	-	2,156,305
Books and supplies	366,378	72,424	1,490,245	-	-	-	1,929,047
Contract services and operating expenditures	254,849	460,699	(378,267)	-	-	-	337,281
Total expenditures	3,966,027	4,819,724	3,231,422	-	-	-	12,017,173
(Deficiency) excess of revenues (under) over expenditures	(2,588,089)	34,385	(518,751)	22	562,808	-	(2,509,625)
Other financing sources (uses):							
Operating transfers in	2,723,819	306,000	713,818	-	-	-	3,743,637
Operating transfers out	(154,141)	(304,745)	(222,470)	-	(5,896,978)	-	(6,578,334)
Total other financing sources (uses)	2,569,678	1,255	491,348	-	(5,896,978)	-	(2,834,697)
Net change in fund balances	(18,411)	35,640	(27,403)	22	(5,334,170)	-	(5,344,322)
Fund balances, July 1, 2013	679,433	87,537	573,043	9,207	5,335,749	61,364	6,746,333
Fund balances, June 30, 2014	$ 661,022	$ 123,177	$ 545,640	$ 9,229	$ 1,579	$ 61,364	$ 1,402,011

BERKELEY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Student Body Funds				
Berkeley High School				
Assets:				
Cash on hand and in banks	$ 367,999	$ 382,521	$ 429,824	$ 320,696
Liabilities:				
Due to student groups	$ 367,999	$ 382,521	$ 429,824	$ 320,696
Longfellow Middle School				
Assets:				
Cash on hand and in banks	$ 3,739	$ 69,076	$ 65,267	$ 7,548
Liabilities:				
Due to student groups	$ 3,739	$ 69,076	$ 65,267	$ 7,548
Martin Luther King, Jr. Middle School				
Assets:				
Cash on hand and in banks	$ 9,753	$ 21,333	$ 17,700	$ 13,386
Liabilities:				
Due to student groups	$ 9,753	$ 21,333	$ 17,700	$ 13,386
Willard Middle School				
Assets:				
Cash on hand and in banks	$ 16,972	$ 23,342	$ 23,515	$ 16,799
Liabilities:				
Due to student groups	$ 16,972	$ 23,342	$ 23,515	$ 16,799
Total Agency Funds				
Assets:				
Cash on hand and in banks	$ 398,463	$ 496,272	$ 536,306	$ 358,429
Liabilities:				
Due to student groups	$ 398,463	$ 496,272	$ 536,306	$ 358,429

BERKELEY UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2014

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

GOVERNING BOARD

Name	Office	Term Expires
Karen Hemphill	President	2014
Josh Daniels	Vice President	2014
Beatriz Leyva-Cutler	Director/Clerk	2016
Judy Appel	Director	2016
Julie Sinai	Director	2014

ADMINISTRATION

Donald Evans, Ed. D
Superintendent

Javetta Cleveland, CPA
Deputy Superintendent, Business

Neil Smith
Assistant Superintendent, Educational Services

Delia Ruiz
Assistant Superintendent, Human Resources

BERKELEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2014

	Second Period Report	Annual Report
Elementary:		
Transitional Kindergarten through Third	2,822	2,821
Fourth through Sixth	2,028	2,026
Seventh and Eighth	1,211	1,213
Special Education	6	10
Subtotal Elementary	6,067	6,070
Secondary:		
Ninth through Twelfth	3,052	3,010
Special Education	14	22
Subtotal Secondary	3,066	3,032
District Totals	9,133	9,102

See accompanying notes to supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2014

Grade Level	Statutory Minutes Requirement	Reduced Minutes Requirement	2013-2014 Actual Minutes	Number of Days Traditional Calendar	Status
DISTRICT					
Kindergarten	36,000	35,000	46,560	180	In Compliance
Grade 1	50,400	49,000	50,970	180	In Compliance
Grade 2	50,400	49,000	50,970	180	In Compliance
Grade 3	50,400	49,000	50,970	180	In Compliance
Grade 4	54,000	52,500	54,590	180	In Compliance
Grade 5	54,000	52,500	54,590	180	In Compliance
Grade 6	54,000	52,500	54,687	180	In Compliance
Grade 7	54,000	52,500	54,687	180	In Compliance
Grade 8	54,000	52,500	54,687	180	In Compliance
Grade 9	64,800	63,000	65,700	180	In Compliance
Grade 10	64,800	63,000	65,700	180	In Compliance
Grade 11	64,800	63,000	65,700	180	In Compliance
Grade 12	64,800	63,000	65,700	180	In Compliance

BERKELEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

For the Year Ended June 30, 2014

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
	U.S. Department of Education - Passed through California Department of Education		
	Special Education Cluster:		
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B	13379	$ 1,548,452
84.173	Special Education: IDEA Preschool Grants, Part B, Sec. 619	13430	42,247
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B	13682	71,254
84.027	Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	10115	137,625
	Subtotal Special Education Cluster		1,799,578
	NCLB: Title III Programs:		
84.365	NCLB: Title III, Limited English Proficient (LEP)	14346	124,535
84.365A	NCLB: Title III, Immigrant Education Program	15146	50,444
	Subtotal NCLB: Title III Programs		174,979
	Vocational Education Programs:		
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131	14894	46,408
84.048	Carl D. Perkins Career and Technical Education: Adult, Section 132	14893	31,675
	Subtotal Vocational Education Programs		78,083
	Adult Education Programs:		
84.002A	AE: Adult Secondary Education	13978	122,811
84.002A	AE: Adult Basic Education & ESL	14508	404,155
84.002A	AE: English Literacy & Civics Education	14109	238,269
84.002	AE: State Leadership Projects (Section 223)	13970	11,100
	Subtotal Adult Education Programs		776,335

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2014

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
	U.S. Department of Education - Passed through California Department of Education (Continued)		
84.010	NCLB: Title I, Part A, Basic Grants Low Income and Neglected	14329	$ 860,877
84.158	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	194,827
84.287	NCLB: Title IV,Part B, 21st Century Community Centers-Core	14349	294,039
84.181	SE: IDEA Early Intervention Grants, Part C	23761	3,049
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	419,987
	Total U.S. Department of Education		4,601,754
	U.S. Department of Health and Human Services - Passed through California Department of Education		
93.596	Child Development: Federal General Child Care, & Development	13609	737,970
93.778	Department of Health Care Services: Medi-Cal Billing Option	10013	11,960
	Total U.S. Department of Health and Human Services		749,930
	U.S. Department of Agriculture - Passed through California Department of Education		
10.558	Child Nutrition: CACFP Claims - Centers and Family Day Care	13393	250,284
10.555	Child Nutrition: School Programs	14906	2,120,334
	Total U.S. Department of Agriculture		2,370,618
	Total Federal Programs		$ 7,722,302

See accompanying notes to supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

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

See accompanying notes to supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2014

(UNAUDITED)

General Fund	(Budget) 2015	2014	2013	2012
Revenues and other financing sources	$ 123,386,995	$ 124,936,730	$ 115,912,322	$ 117,836,521
Expenditures	122,409,586	120,387,939	118,784,176	115,338,693
Other uses and transfers out	3,992,133	3,987,133	546,366	313,496
Total outgo	126,401,719	124,375,072	119,330,542	115,652,189
Change in fund balance	$ (3,014,724)	$ 561,658	$ (3,418,220)	$ 2,184,332
Ending fund balance	$ 14,175,305	$ 17,190,029	$ 16,628,371	$ 20,046,591
Available reserves	$ 5,925,300	$ 8,213,305	$ 9,114,651	$ 12,325,225
Designated for economic uncertainties	$ -	$ 2,763,124	$ 2,622,737	$ 3,498,651
Undesignated fund balance	$ 5,925,300	$ 5,450,181	$ 6,491,914	$ 8,826,574
Available reserves as a percentage of total outgo	4.7%	6.6%	7.6%	10.7%
All Funds				
Total long-term liabilities	$ 240,668,227	$ 252,997,449	$ 264,979,405	$ 227,912,655
Average daily attendance at P-2	9,163	9,133	8,926	8,948

The General Fund fund balance has decreased by $672,230 over the past three fiscal years. The District projects a decrease of $3,014,724 for the year ending June 30, 2014. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses be maintained. For the year ended June 30, 2014, the District has met this requirement. For the purposes of calculating the District's available reserves, the ending fund balance of the Special Reserve for Other Than Capital Projects Fund is included as designated for economic uncertainties.

The District has incurred operating surpluses in two of the past three years, but anticipates incurring an operating deficit during the 2014-2015 fiscal year.

Total long-term liabilities have increased by $25,084,794 over the past two years, principally because of the issuance of general obligation bonds.

Average daily attendance has increased by 185 over the past two years. The District anticipates an increase of 30 ADA during the fiscal year ending June 30, 2015.

See accompanying notes to supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2014

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
REALM Charter Middle School	Separate Report
REALM Charter High School	Separate Report

See accompanying notes to supplementary information.

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

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

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2014.

Description	CFDA Number	Amount
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		$ 8,924,745
Less: Medi-Cal Billing Funds not spent	93.778	(115,211)
Federal interest reimbursement on Build America Bonds	N/A	(1,087,232)
Total Schedule of Expenditure of Federal Awards		$ 7,722,302

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

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

(Continued)

1. PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis (Unaudited)

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2014-2015 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

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

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2014, the District did not adopt such a program.

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

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

Board of Trustees
Berkeley Unified School District
Berkeley, California

Report on Compliance with State Laws and Regulations

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

Description	Audit Guide Procedures	Procedures Performed
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time	10	Yes
Instructional Materials general requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	No, see below
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Yes
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance, for charter schools	8	No, see below
Mode of Instruction, for charter schools	1	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	4	No, see below
Charter School Facility Grant Program	1	No, see below

The District did not offer an Early Retirement Incentive Program in the current year; therefore, we did not perform any procedures related to Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any Charter Schools; therefore, we did not perform any of the procedures required by Article 4 of the Audit Guide.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above of Berkeley Unified School District. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Berkeley Unified School Districts compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Berkeley Unified School District's compliance.

Opinion on Compliance with State Laws and Regulations

In our opinion, Berkeley Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2014. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Berkeley Unified School District had not complied with the state laws and regulations.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 15, 2014

INDEPENDENT AUDITOR'S 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
Berkeley Unified School District
Berkeley, California

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

Internal Control Over Financial Reporting

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

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

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

We identified a deficiency in internal control that we communicated to management as described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2014-001.

Compliance and Other Matters

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

Other Matter

Berkeley Unified School District's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Berkeley Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 15, 2014

FINDINGS AND RECOMMENDATIONS

BERKELEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	x No
Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes	x None reported
Noncompliance material to financial statements noted?	____ Yes	x No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	____ Yes	x No
Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes	x None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	____ Yes	x No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.027A, 84.173	Special Education Cluster
93.596	Child Development: Federal General Child Care, & Development
84.010	NCLB: Title I, Part A, Basic Grants Low Income and Neglected

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

STATE AWARDS

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

SECTION II - FINANCIAL STATEMENT FINDINGS

2014-001 DEFICIENCY - ASSOCIATED STUDENT BODY (ASB) ACCOUNTING (30000)

Criteria

Education Code Section 48930 (and California Department of Education's "Accounting Procedures for Student Organizations Handbook") requires student body organizations to follow the regulations set forth by the Governing Board of the District.

Condition

At Martin Luther King Middle School:

- Receipt/Sub-receipt books for recording ASB receipts are not maintained.
- Receipts are not provided to students upon receipt of payment
- No reconciliation between units sold and dollar amount received is performed to ensure accuracy of reporting/transactions.
- For revenue producing activities, a tally sheet is not maintained on funds collected by the ASB clerk and teachers.
- Monthly Financial statements of account balances are not prepared or reviewed by the principal.
- No signature was noted on the bank reconciliation to indicate review.

Effect

There exists a risk that ASB funds could potentially be missappropriated.

Cause

Adequate internal controls procedures have not been implemented and enforced by the District.

Fiscal Impact

None noted.

Recommendation

School sites should implement the proper control procedures in order to protect ASB funds from misappropriation:

- Implement the use of Sub-receipt books, to properly record transactions.
- Provide receipts for payments received from students.
- Maintain tally sheets to reconcile funds collected with units sold upon collection.
- Perform reconciliations when funds are collected from teachers, to ensure funds received are accurate and complete with units sold.
- Compare receipts to tally sheets to track accuracy of transactions.
- District office review requests for revenue-producing activities/field trips.
- Financial statements should be prepared and maintained on a monthly basis and reviewed and approved by the site administrator.
- Sign and date monthly reconciliation/financing reports for the ASB bank account review.

SECTION II - FINANCIAL STATEMENT FINDINGS

(Continued)

2014-001 DEFICIENCY - ASSOCIATED STUDENT BODY (ASB) ACCOUNTING (30000) (Continued)

Corrective Action Plan

District management will discuss and reiterate accounting and reporting procedures with site personnel.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2013-01 At Longfellow Middle School: • Subreceipt books were not maintained to track the initial receipt of cash by the clubs or student groups. • Receipts are not issued by the ASB Accountant upon receiving cash from clubs and/or teachers. The reconciliation between units sold and the dollar amount received to ensure accuracy of the transactions, did not contain approval from either the school site or the District office. • For revenue producing activities, the cash/check tally sheet is not maintained on funds that are collected by the ASB Accountant and/or teachers, thus funds received could be inaccurate or incomplete. • Teachers have the ability to collect funds from students and deposit those funds directly into the bank account without proper review of an ASB Advisor. • The monthly financial statements of account balance balances were not prepared or reviewed by the Principal. • The school site should implement the use of sub-receipt books to properly record transactions and provide receipts for payments received from students. • The ASB Accountant should provide a receipt to the teacher, club, or other party when turning in cash to the ASB Office. The receipt should include a detail of the amount deposited, in addition to the details of the transaction resulting in the deposit.	Partially implemented.	See current year finding 2014-001.

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2013-01 (Continued) • Tally sheets should be maintained by the ASB Accountant to reconcile funds collected with units sold. The reconciliation should also be reviewed and signed by an individual separate from the preparer. • Teachers should only turn in funds generated from ASB Activities to the ASB Accountant, rather than directly to the site bank account. • Financial statements should be prepared and maintained on a monthly basis and reviewed and approved by the Principal.		

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX D

COUNTY INVESTMENT REPORT

THIS PAGE INTENTIONALLY LEFT BLANK

Alameda County Treasury
Portfolio Management
Investment Status Report - Investments
March 31, 2015

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Date	YTM 360	YTM 365	Accrued Interest At Purchase	Current Principal	Book Value
Certificates of Deposit - Bank											
SYS10534	10534	BAYCOM	5,000,000.00	0.450	04/15/2015	01/16/2015	0.450	0.456		5,000,000.00	5,000,000.00
SYS10531	10531	COMBK	5,000,000.00	0.400	09/11/2015	09/12/2014	0.400	0.406		5,000,000.00	5,000,000.00
SYS10537	10537	FREMON	35,000,000.00	0.150	12/14/2015	03/19/2015	0.150	0.152		35,000,000.00	35,000,000.00
SYS10532	10532	ICBC	250,000.00	0.450	11/03/2015	09/30/2014	0.450	0.456		250,000.00	250,000.00
SYS10536	10536	SUMMIT	500,000.00	0.500	03/01/2016	03/03/2015	0.500	0.507		500,000.00	500,000.00
SYS10533	10533	TORREY	40,000,000.00	0.400	10/01/2015	10/02/2014	0.400	0.406		40,000,000.00	40,000,000.00
SYS10535	10535	TRIVAL	7,250,000.00	0.300	07/20/2015	01/20/2015	0.300	0.304		7,250,000.00	7,250,000.00
SYS10525	10525	UB-LOC	5,000,000.00	0.200	04/16/2015	04/16/2014	0.200	0.203		5,000,000.00	5,000,000.00
	Certificates of Deposit - Bank Totals		**98,000,000.00**				**0.296**	**0.300**	**0.00**	**98,000,000.00**	**98,000,000.00**
Commercial Paper - Discount											
89116FSL5	27278	TD	50,000,000.00	0.220	05/20/2015	09/25/2014	0.223	0.226		49,927,583.33	49,927,583.33
62478YR83	27280	UNION	50,000,000.00	0.170	04/08/2015	01/29/2015	0.172	0.175		49,983,708.33	49,983,708.33
	Commercial Paper - Discount Totals		**100,000,000.00**				**0.198**	**0.201**	**0.00**	**99,911,291.66**	**99,911,291.66**
Federal Agency Issues - Coupon											
3133EAZK7	32930	FFCB	5,000,000.00	0.970	07/24/2017	07/25/2012	0.957	0.970	Received	5,000,000.00	5,000,000.00
3133EAZK7	32933	FFCB	5,000,000.00	0.970	07/24/2017	07/26/2012	0.962	0.975	Received	4,998,750.00	4,998,750.00
3133EAA81	32938	FFCB	5,000,000.00	0.780	01/30/2017	07/30/2012	0.769	0.780		5,000,000.00	5,000,000.00
3133EAA81	32939	FFCB	5,000,000.00	0.780	01/30/2017	07/30/2012	0.769	0.780		5,000,000.00	5,000,000.00
3133EAK98	32955	FFCB	7,500,000.00	0.850	02/15/2017	08/24/2012	0.838	0.850	Received	7,500,000.00	7,500,000.00
3133EAZ68	32968	FFCB	5,000,000.00	0.400	09/25/2015	09/25/2012	0.395	0.400		5,000,000.00	5,000,000.00
3133EA2P2	32969	FFCB	5,000,000.00	0.590	06/27/2016	09/27/2012	0.624	0.633		5,000,000.00	5,000,000.00
3133EA2L1	32970	FFCB	5,000,000.00	0.720	12/27/2016	09/27/2012	0.755	0.766		5,000,000.00	5,000,000.00
3133EA3K2	32979	FFCB	5,000,000.00	0.620	10/11/2016	10/11/2012	0.637	0.645		4,995,000.00	4,995,000.00
3133EC3F9	33026	FFCB	10,000,000.00	0.550	08/26/2016	11/26/2012	0.562	0.570		9,992,500.00	9,992,500.00
3133EC3F9	33027	FFCB	10,000,000.00	0.550	08/26/2016	11/26/2012	0.542	0.550		10,000,000.00	10,000,000.00
3133EC3F9	33028	FFCB	10,000,000.00	0.550	08/26/2016	11/26/2012	0.562	0.570		9,992,500.00	9,992,500.00
3133EC5B6	33030	FFCB	10,000,000.00	0.640	11/29/2016	11/30/2012	0.644	0.653	Received	9,995,000.00	9,995,000.00
3133EA4F2	33032	FFCB	10,000,000.00	0.640	01/11/2017	12/06/2012	0.631	0.640	Received	10,000,000.00	10,000,000.00
3133ECAK0	33049	FFCB	25,000,000.00	0.670	03/20/2017	12/20/2012	0.690	0.700		24,968,750.00	24,968,750.00
3133ECAL8	33063	FFCB	10,000,000.00	0.730	06/19/2017	01/10/2013	0.743	0.753	Received	9,990,000.00	9,990,000.00
3133ECCY8	33069	FFCB	5,000,000.00	0.650	01/17/2017	01/23/2013	0.641	0.650	Received	5,000,000.00	5,000,000.00
3133ECFN9	33086	FFCB	5,000,000.00	0.820	02/21/2017	02/21/2013	0.809	0.820		5,000,000.00	5,000,000.00
3133ECGF5	33090	FFCB	10,000,000.00	0.800	02/27/2017	02/27/2013	0.789	0.800		10,000,000.00	10,000,000.00

Alameda County Treasury
Portfolio Management
Investment Status Report - Investments
March 31, 2015

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Date	YTM 360	YTM 365	Accrued Interest At Purchase	Current Principal	Book Value
Federal Agency Issues - Coupon											
3133ECFN9	33098	FFCB	10,000,000.00	0.820	02/21/2017	03/11/2013	0.809	0.820	Received	10,000,000.00	10,000,000.00
3133ECJQ8	33103	FFCB	10,000,000.00	0.750	03/20/2017	03/20/2013	0.740	0.750		10,000,000.00	10,000,000.00
3133ECHV9	33106	FFCB	5,000,000.00	0.350	07/30/2015	03/21/2013	0.345	0.350	Received	5,000,000.00	5,000,000.00
3133ECKG8	33111	FFCB	10,000,000.00	0.900	10/02/2017	04/02/2013	0.888	0.900		10,000,000.00	10,000,000.00
3133ECLA0	33116	FFCB	10,000,000.00	0.410	04/12/2016	04/12/2013	0.404	0.410		10,000,000.00	10,000,000.00
3133ECTR5	33171	FFCB	5,000,000.00	0.500	07/02/2015	07/02/2013	0.493	0.500		5,000,000.00	5,000,000.00
3133ED2V3	33191	FFCB	10,000,000.00	0.400	09/24/2015	10/25/2013	0.360	0.365	Received	10,006,600.00	10,006,600.00
3133ED6J6	33194	FFCB	15,000,000.00	0.350	11/04/2015	11/12/2013	0.345	0.350	Received	15,000,000.00	15,000,000.00
3133ED7L0	33195	FFCB	5,000,000.00	0.330	11/13/2015	11/13/2013	0.325	0.330		5,000,000.00	5,000,000.00
3133ED7L0	33196	FFCB	10,000,000.00	0.330	11/13/2015	11/13/2013	0.325	0.330		10,000,000.00	10,000,000.00
3133ECME1	33202	FFCB	6,000,000.00	0.441	04/25/2016	11/19/2013	0.477	0.484	Received	5,994,000.00	5,994,000.00
3133EDAL6	33206	FFCB	10,000,000.00	0.280	08/25/2015	11/25/2013	0.322	0.327		10,000,000.00	10,000,000.00
3133EDAL6	33207	FFCB	10,000,000.00	0.280	08/25/2015	11/25/2013	0.322	0.327		10,000,000.00	10,000,000.00
3133EDAL6	33208	FFCB	10,000,000.00	0.280	08/25/2015	11/25/2013	0.322	0.327		10,000,000.00	10,000,000.00
3133EDGA4	33238	FFCB	25,000,000.00	1.070	09/05/2017	03/05/2014	1.055	1.070		25,000,000.00	25,000,000.00
3133EDGA4	33239	FFCB	10,000,000.00	1.070	09/05/2017	03/05/2014	1.063	1.077		9,997,500.00	9,997,500.00
3133EDGK2	33244	FFCB	10,000,000.00	0.340	03/10/2016	03/10/2014	0.335	0.340		10,000,000.00	10,000,000.00
3133EDJU7	33259	FFCB	10,000,000.00	0.670	10/17/2016	04/17/2014	0.671	0.680		9,997,500.00	9,997,500.00
3133EA2L1	33272	FFCB	15,000,000.00	0.720	12/27/2016	05/29/2014	0.641	0.649	45,600.00	15,000,000.00	15,045,600.00
3133EDNC2	33275	FFCB	10,000,000.00	0.700	01/13/2017	06/13/2014	0.870	0.882		9,990,100.00	9,990,100.00
3133EDNF5	33279	FFCB	10,000,000.00	0.550	09/16/2016	06/23/2014	0.637	0.645	Received	9,995,000.00	9,995,000.00
3133EDNX6	33280	FFCB	10,000,000.00	0.320	12/23/2015	06/23/2014	0.345	0.350		9,995,500.00	9,995,500.00
3133EDNY4	33281	FFCB	10,000,000.00	0.440	03/23/2016	06/23/2014	0.523	0.530		9,997,500.00	9,997,500.00
3133EDY30	33302	FFCB	5,000,000.00	1.120	10/16/2017	10/16/2014	1.105	1.120		5,000,000.00	5,000,000.00
3133EDY30	33303	FFCB	5,000,000.00	1.120	10/16/2017	10/16/2014	1.105	1.120		5,000,000.00	5,000,000.00
3133EEEF3	33320	FFCB	10,000,000.00	0.730	03/09/2017	12/09/2014	0.753	0.764		9,992,500.00	9,992,500.00
3133EEFP0	33324	FFCB	5,000,000.00	1.200	12/18/2017	12/18/2014	1.200	1.217		4,997,500.00	4,997,500.00
3133EEFW5	33329	FFCB	10,000,000.00	0.260	12/22/2015	12/22/2014	0.280	0.284		9,997,600.00	9,997,600.00
3133EELR9	33339	FFCB	5,000,000.00	0.625	01/27/2017	01/27/2015	0.616	0.625		5,000,000.00	5,000,000.00
3133EELT5	33344	FFCB	10,000,000.00	1.370	07/30/2018	02/11/2015	1.380	1.400	4,186.11	9,990,000.00	9,994,186.11
3133EENZ9	33345	FFCB	20,000,000.00	1.330	08/13/2018	02/13/2015	1.326	1.345		19,990,000.00	19,990,000.00
3133EEPA2	33346	FFCB	25,000,000.00	1.070	02/12/2018	02/13/2015	1.170	1.186	743.06	24,915,000.00	24,915,743.06
3133EEPA2	33348	FFCB	20,000,000.00	1.070	02/12/2018	02/13/2015	1.055	1.070	594.44	20,000,000.00	20,000,594.44
3133804V6	32944	FHLB	10,000,000.00	1.000	08/09/2017	08/09/2012	0.988	1.002		9,999,000.00	9,999,000.00
3133804V6	32945	FHLB	5,000,000.00	1.000	08/09/2017	08/09/2012	0.987	1.001		4,999,750.00	4,999,750.00

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Date	YTM 360	YTM 365	Accrued Interest At Purchase	Current Principal	Book Value
Federal Agency Issues - Coupon											
313380MF1	32965	FHLB	5,000,000.00	1.000	09/18/2017	09/18/2012	1.012	1.026		4,993,750.00	4,993,750.00
313380L96	33001	FHLB	5,000,000.00	0.500	11/20/2015	10/26/2012	0.512	0.519	Received	5,003,750.00	5,003,750.00
3133813G8	33004	FHLB	12,775,000.00	0.640	11/01/2016	11/05/2012	0.631	0.640	Received	12,775,000.00	12,775,000.00
3133813R4	33009	FHLB	10,000,000.00	1.000	11/09/2017	11/09/2012	0.986	1.000		10,000,000.00	10,000,000.00
3133813R4	33010	FHLB	5,000,000.00	1.000	11/09/2017	11/09/2012	0.986	1.000		5,000,000.00	5,000,000.00
3133813R4	33011	FHLB	5,000,000.00	1.000	11/09/2017	11/09/2012	0.986	1.000		5,000,000.00	5,000,000.00
3133812R5	33012	FHLB	10,000,000.00	0.650	11/13/2017	11/13/2012	0.779	0.790		10,000,000.00	10,000,000.00
313381AN5	33024	FHLB	5,000,000.00	0.800	05/23/2017	11/23/2012	0.800	0.811		4,997,500.00	4,997,500.00
3133813R4	33046	FHLB	10,000,000.00	1.000	11/09/2017	12/18/2012	0.986	1.000	Received	10,000,000.00	10,000,000.00
3133813R4	33047	FHLB	15,000,000.00	1.000	11/09/2017	12/18/2012	0.991	1.005	Received	14,996,250.00	14,996,250.00
3133813R4	33056	FHLB	10,000,000.00	1.000	11/09/2017	12/27/2012	0.986	1.000	Received	10,000,000.00	10,000,000.00
313381KQ7	33058	FHLB	10,000,000.00	0.500	06/28/2016	12/28/2012	0.493	0.500		10,000,000.00	10,000,000.00
3133813R4	33064	FHLB	10,000,000.00	1.000	11/09/2017	01/15/2013	0.988	1.002	Received	9,999,000.00	9,999,000.00
3133813R4	33065	FHLB	10,000,000.00	1.000	11/09/2017	01/15/2013	0.988	1.002	Received	9,999,000.00	9,999,000.00
3133813R4	33078	FHLB	10,000,000.00	1.000	11/09/2017	02/01/2013	0.986	1.000	Received	10,000,000.00	10,000,000.00
313382DC4	33096	FHLB	740,740.37	0.470	03/07/2016	03/07/2013	0.464	0.470		740,740.37	740,740.37
313382GR8	33104	FHLB	10,000,000.00	0.750	03/20/2017	03/20/2013	0.749	0.759		9,996,500.00	9,996,500.00
313382W90	33131	FHLB	5,000,000.00	0.700	05/16/2018	05/16/2013	1.039	1.053		5,000,000.00	5,000,000.00
3133836L0	33140	FHLB	10,000,000.00	1.200	05/24/2018	05/28/2013	1.186	1.203		10,000,000.00	10,000,000.00
3133836L0	33141	FHLB	10,000,000.00	1.200	05/24/2018	05/28/2013	1.186	1.203		10,000,000.00	10,000,000.00
3133836L0	33142	FHLB	10,000,000.00	1.200	05/24/2018	05/28/2013	1.187	1.204		9,999,500.00	9,999,500.00
313383CD1	33145	FHLB	10,000,000.00	1.300	06/05/2018	06/05/2013	1.282	1.300		10,000,000.00	10,000,000.00
313383CD1	33146	FHLB	10,000,000.00	1.300	06/05/2018	06/05/2013	1.282	1.300		10,000,000.00	10,000,000.00
313383CD1	33147	FHLB	10,000,000.00	1.300	06/05/2018	06/05/2013	1.282	1.300		10,000,000.00	10,000,000.00
313383CD1	33148	FHLB	10,000,000.00	1.300	06/05/2018	06/05/2013	1.282	1.300		10,000,000.00	10,000,000.00
313383G62	33158	FHLB	10,000,000.00	0.750	12/19/2016	06/19/2013	0.740	0.750		10,000,000.00	10,000,000.00
313383J44	33163	FHLB	5,000,000.00	0.750	06/26/2018	06/26/2013	1.324	1.342		5,000,000.00	5,000,000.00
313383HQ7	33164	FHLB	5,000,000.00	1.200	06/27/2018	06/27/2013	1.188	1.204		4,999,000.00	4,999,000.00
313381NL5	33169	FHLB	23,800,000.00	1.160	07/10/2018	06/28/2013	1.662	1.685	Received	23,199,401.05	23,199,401.05
3130A14E5	33235	FHLB	15,000,000.00	0.810	02/28/2017	02/28/2014	0.799	0.810		15,000,000.00	15,000,000.00
3130A0ZL7	33242	FHLB	25,000,000.00	0.810	03/10/2017	03/11/2014	0.800	0.811		25,000,000.00	25,000,000.00
3130A15W4	33250	FHLB	15,000,000.00	0.875	03/27/2017	03/27/2014	0.863	0.875		15,000,000.00	15,000,000.00
3130A1KF4	33254	FHLB	17,150,000.00	0.125	04/02/2015	04/07/2014	0.148	0.150	Received	17,145,712.50	17,145,712.50
3130A1PG7	33256	FHLB	20,000,000.00	0.125	04/14/2015	04/14/2014	0.123	0.125		20,000,000.00	20,000,000.00
3130A1PH5	33260	FHLB	25,000,000.00	0.130	04/17/2015	04/17/2014	0.135	0.137		24,998,294.75	24,998,294.75

Alameda County Treasury
Portfolio Management
Investment Status Report - Investments
March 31, 2015

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Date	YTM 360	YTM 365	Accrued Interest At Purchase	Current Principal	Book Value
Federal Agency Issues - Coupon											
3130A25B8	33277	FHLB	8,000,000.00	1.000	06/19/2019	06/19/2014	2.022	2.050		8,000,000.00	8,000,000.00
3130A2BZ8	33282	FHLB	15,000,000.00	0.875	03/24/2017	06/24/2014	0.965	0.978		14,994,750.00	14,994,750.00
3130A27K6	33286	FHLB	10,000,000.00	1.250	06/26/2019	06/26/2014	2.024	2.052		9,985,000.00	9,985,000.00
3130A2T97	33297	FHLB	10,000,000.00	0.500	09/28/2016	09/04/2014	0.752	0.763	Received	9,973,400.00	9,973,400.00
3130A2WK8	33307	FHLB	33,000,000.00	0.125	08/28/2015	11/06/2014	0.149	0.152	Received	32,992,910.28	32,992,910.28
313382EU3	33308	FHLB	8,000,000.00	0.580	09/21/2016	11/07/2014	0.574	0.582	Received	7,999,760.00	7,999,760.00
3130A3J70	33310	FHLB	10,000,000.00	0.625	11/23/2016	11/17/2014	0.631	0.640		9,996,000.00	9,996,000.00
3130A3FY5	33316	FHLB	10,000,000.00	0.700	11/25/2016	11/28/2014	0.690	0.700		10,000,000.00	10,000,000.00
3130A3LZ5	33318	FHLB	25,000,000.00	0.125	12/01/2015	12/01/2014	0.210	0.213		24,978,000.00	24,978,000.00
3130A3KC7	33321	FHLB	10,000,000.00	0.700	12/12/2016	12/12/2014	0.690	0.700		10,000,000.00	10,000,000.00
3130A3KC7	33322	FHLB	10,000,000.00	0.700	12/12/2016	12/12/2014	0.690	0.700		10,000,000.00	10,000,000.00
3130A3NV2	33323	FHLB	15,000,000.00	0.230	01/08/2016	12/16/2014	0.499	0.506	Received	14,988,179.25	14,988,179.25
3130A3L93	33326	FHLB	10,000,000.00	1.250	12/19/2019	12/19/2014	2.212	2.243		9,985,000.00	9,985,000.00
3130A3M68	33331	FHLB	15,000,000.00	1.220	12/26/2017	12/26/2014	1.203	1.220		15,000,000.00	15,000,000.00
3130A3RG1	33332	FHLB	10,000,000.00	1.000	06/29/2017	12/29/2014	1.011	1.025		9,993,800.00	9,993,800.00
3130A3RT3	33333	FHLB	15,000,000.00	1.000	06/29/2017	12/29/2014	0.986	1.000		15,000,000.00	15,000,000.00
3130A3PR9	33334	FHLB	10,000,000.00	1.050	09/29/2017	12/29/2014	1.141	1.157		10,000,000.00	10,000,000.00
3130A3MF8	33335	FHLB	15,000,000.00	0.700	12/30/2016	12/30/2014	0.670	0.679		14,997,750.00	14,997,750.00
3130A3PZ1	33336	FHLB	10,000,000.00	1.000	06/30/2017	12/30/2014	0.986	1.000		10,000,000.00	10,000,000.00
3130A3VU52	33340	FHLB	10,000,000.00	0.550	07/29/2016	01/29/2015	0.542	0.550		10,000,000.00	10,000,000.00
3130A3Z569	33342	FHLB	45,000,000.00	0.180	10/27/2015	01/29/2015	0.179	0.182	450.00	44,999,343.90	44,999,793.90
3130A45W8	33358	FHLB	10,000,000.00	1.350	02/27/2018	02/27/2015	1.348	1.367		9,995,000.00	9,995,000.00
3130A4B35	33359	FHLB	15,000,000.00	1.125	09/04/2018	03/04/2015	1.579	1.601		15,000,000.00	15,000,000.00
3130A4DQ2	33360	FHLB	25,000,000.00	1.400	03/09/2018	03/09/2015	1.381	1.400		25,000,000.00	25,000,000.00
3130A4EA6	33361	FHLB	9,600,000.00	1.040	06/16/2017	03/16/2015	1.156	1.172		9,600,000.00	9,600,000.00
3130A4TL6	33366	FHLB	10,000,000.00	1.000	12/29/2017	03/30/2015	1.088	1.103		10,000,000.00	10,000,000.00
3134G46D5	33153	FHLMC	5,000,000.00	1.200	06/12/2018	06/12/2013	1.189	1.205		4,998,750.00	4,998,750.00
3134G3M31	33156	FHLMC	5,000,000.00	1.000	09/27/2017	06/14/2013	1.152	1.168	Received	4,965,000.00	4,965,000.00
3134G3L24	33209	FHLMC	10,000,000.00	0.500	09/25/2015	11/26/2013	0.311	0.315	Received	10,033,700.00	10,033,700.00
3134G36F2	33214	FHLMC	10,000,000.00	0.420	09/18/2015	11/27/2013	0.306	0.310	Received	10,019,800.00	10,019,800.00
3134G4PX0	33221	FHLMC	11,000,000.00	0.500	06/27/2016	12/27/2013	0.493	0.500		11,000,000.00	11,000,000.00
3134G4PX0	33223	FHLMC	10,000,000.00	0.500	06/27/2016	12/27/2013	0.493	0.500		10,000,000.00	10,000,000.00
3137EADP1	33236	FHLMC	10,000,000.00	0.875	03/07/2018	02/28/2014	1.165	1.181	Received	9,880,000.00	9,880,000.00
3134G4X29	33240	FHLMC	20,000,000.00	1.040	09/05/2017	03/05/2014	1.026	1.040		20,000,000.00	20,000,000.00
3134G4VW5	33241	FHLMC	10,000,000.00	0.875	03/10/2017	03/10/2014	0.866	0.878		9,999,000.00	9,999,000.00

Alameda County Treasury
Portfolio Management
Investment Status Report - Investments
March 31, 2015

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Date	YTM 360	YTM 365	Accrued Interest At Purchase	Current Principal	Book Value
Federal Agency Issues - Coupon											
3134G4YZ5	33252	FHLMC	10,000,000.00	0.700	10/07/2016	04/07/2014	0.690	0.700		10,000,000.00	10,000,000.00
3134G53Q6	33265	FHLMC	10,000,000.00	0.800	11/21/2016	05/21/2014	0.789	0.800		10,000,000.00	10,000,000.00
3134G53Q6	33266	FHLMC	10,000,000.00	0.800	11/21/2016	05/21/2014	0.789	0.800		10,000,000.00	10,000,000.00
3134G53Q6	33267	FHLMC	10,000,000.00	0.800	11/21/2016	05/21/2014	0.789	0.800		10,000,000.00	10,000,000.00
3134G53Q6	33268	FHLMC	10,000,000.00	0.800	11/21/2016	05/21/2014	0.789	0.800		10,000,000.00	10,000,000.00
3134G53K9	33270	FHLMC	8,000,000.00	1.350	11/22/2017	05/22/2014	1.332	1.350		8,000,000.00	8,000,000.00
3134G53K9	33271	FHLMC	10,000,000.00	1.350	11/22/2017	05/22/2014	1.332	1.350		10,000,000.00	10,000,000.00
3134G5A96	33276	FHLMC	10,000,000.00	0.625	09/19/2016	06/19/2014	0.694	0.704		10,000,000.00	10,000,000.00
3134G56B6	33278	FHLMC	10,000,000.00	0.580	08/26/2016	06/20/2014	0.689	0.699	Received	9,992,500.00	9,992,500.00
3134G5A96	33283	FHLMC	10,000,000.00	0.625	09/19/2016	06/25/2014	0.705	0.715	Received	9,998,000.00	9,998,000.00
3134G5A96	33284	FHLMC	10,000,000.00	0.625	09/19/2016	06/25/2014	0.705	0.715	Received	9,998,000.00	9,998,000.00
3134G5AP0	33285	FHLMC	10,000,000.00	1.200	12/26/2017	06/26/2014	1.184	1.200		10,000,000.00	10,000,000.00
3134G5DM4	33294	FHLMC	10,000,000.00	1.100	08/14/2017	08/14/2014	1.085	1.100		10,000,000.00	10,000,000.00
3134G4UC0	33295	FHLMC	10,000,000.00	0.650	07/29/2016	09/03/2014	0.641	0.650	Received	10,000,000.00	10,000,000.00
3134G5L86	33304	FHLMC	10,000,000.00	1.020	04/28/2017	10/28/2014	1.006	1.020		10,000,000.00	10,000,000.00
3134G5N35	33305	FHLMC	10,000,000.00	0.960	07/28/2017	10/31/2014	0.957	0.970		9,997,500.00	9,997,500.00
3134G5JE6	33306	FHLMC	15,000,000.00	0.650	09/29/2016	11/05/2014	0.633	0.642	Received	15,002,235.00	15,002,235.00
3134G5NM3	33311	FHLMC	5,000,000.00	0.875	05/18/2017	11/18/2014	0.888	0.900		4,996,900.00	4,996,900.00
3134G5NW1	33312	FHLMC	15,000,000.00	0.800	05/18/2018	11/18/2014	1.458	1.478		15,000,000.00	15,000,000.00
3134G5NW1	33313	FHLMC	10,000,000.00	0.800	05/18/2018	11/18/2014	1.458	1.478		10,000,000.00	10,000,000.00
3134G5NS0	33314	FHLMC	25,000,000.00	1.050	08/24/2017	11/24/2014	1.141	1.157		25,000,000.00	25,000,000.00
3134G5S22	33315	FHLMC	15,000,000.00	0.410	06/29/2016	11/26/2014	0.404	0.410		15,000,000.00	15,000,000.00
3134G5R23	33319	FHLMC	7,000,000.00	1.250	12/05/2017	12/08/2014	1.290	1.308	729.17	6,988,100.00	6,988,829.17
3134G5RU1	33325	FHLMC	10,000,000.00	0.625	12/19/2017	12/19/2014	1.429	1.449		10,000,000.00	10,000,000.00
3134G5SB2	33327	FHLMC	10,000,000.00	0.750	12/19/2016	12/19/2014	0.740	0.750		10,000,000.00	10,000,000.00
3134G5SB2	33328	FHLMC	15,000,000.00	0.750	12/19/2016	12/19/2014	0.000	0.000		15,000,000.00	15,000,000.00
3137EADU0	33337	FHLMC	10,000,000.00	0.500	01/27/2017	01/16/2015	0.579	0.587		9,982,500.00	9,982,500.00
3134G5YE9	33338	FHLMC	25,000,000.00	1.000	04/20/2017	01/20/2015	0.986	1.000		25,000,000.00	25,000,000.00
3134G5YV1	33341	FHLMC	25,000,000.00	0.750	01/29/2018	01/29/2015	1.269	1.287		25,000,000.00	25,000,000.00
3134G5YP4	33343	FHLMC	25,000,000.00	1.050	07/28/2017	01/30/2015	1.036	1.050		25,000,000.00	25,000,000.00
3134G6BM4	33349	FHLMC	25,000,000.00	0.750	02/20/2018	02/20/2015	1.269	1.286		25,000,000.00	25,000,000.00
3134G6DL4	33350	FHLMC	10,000,000.00	1.000	11/20/2017	02/20/2015	0.986	1.000		10,000,000.00	10,000,000.00
3137EADN6	33351	FHLMC	25,000,000.00	0.750	01/12/2018	02/20/2015	0.986	1.000	19,791.67	24,822,000.00	24,841,791.67
3134G6DV2	33352	FHLMC	25,000,000.00	1.000	08/24/2018	02/24/2015	0.986	1.000		25,000,000.00	25,000,000.00
3134G6DC4	33353	FHLMC	25,000,000.00	0.700	02/24/2017	02/24/2015	0.690	0.700		25,000,000.00	25,000,000.00

Alameda County Treasury
Portfolio Management
Investment Status Report - Investments
March 31, 2015

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Date	YTM 360	YTM 365	Accrued Interest At Purchase	Current Principal	Book Value
Federal Agency Issues - Coupon											
3134G6FD0	33354	FHLMC	10,000,000.00	0.800	02/24/2017	02/24/2015	0.789	0.800		10,000,000.00	10,000,000.00
3134G6FH1	33356	FHLMC	25,000,000.00	1.100	08/25/2017	02/27/2015	1.085	1.100		25,000,000.00	25,000,000.00
3134G6HK2	33357	FHLMC	25,000,000.00	1.300	02/27/2018	02/27/2015	1.282	1.300		25,000,000.00	25,000,000.00
3134G6HQ9	33362	FHLMC	35,000,000.00	0.800	03/17/2017	03/17/2015	0.789	0.800		35,000,000.00	35,000,000.00
3134G6HL0	33364	FHLMC	10,000,000.00	1.350	03/19/2018	03/19/2015	1.332	1.350		10,000,000.00	10,000,000.00
3134G6PG2	33365	FHLMC	10,000,000.00	0.750	03/30/2017	03/30/2015	0.740	0.750		10,000,000.00	10,000,000.00
3134G6QZ9	33367	FHLMC	5,000,000.00	1.000	12/29/2017	03/30/2015	1.088	1.103		5,000,000.00	5,000,000.00
3136G1BW8	33100	FNMA	10,000,000.00	0.550	07/29/2016	03/13/2013	0.542	0.550	Received	10,000,000.00	10,000,000.00
3136G1A66	33127	FNMA	5,000,000.00	0.700	12/26/2017	05/02/2013	1.065	1.080	Received	5,000,000.00	5,000,000.00
3135GORK1	33129	FNMA	5,000,000.00	0.900	11/07/2017	05/13/2013	0.888	0.900	Received	5,000,000.00	5,000,000.00
3135GOWU3	33130	FNMA	10,000,000.00	0.750	05/15/2017	05/15/2013	0.740	0.750		10,000,000.00	10,000,000.00
3135GOWJ8	33136	FNMA	10,000,000.00	0.875	05/21/2018	05/22/2013	0.980	0.994	Received	9,942,100.00	9,942,100.00
3135GOWJ8	33137	FNMA	10,000,000.00	0.875	05/21/2018	05/22/2013	1.016	1.030	Received	9,924,690.89	9,924,690.89
3135G0XC2	33138	FNMA	10,000,000.00	0.500	08/22/2016	05/23/2013	0.493	0.500	Received	10,000,000.00	10,000,000.00
3135GOWJ8	33144	FNMA	5,000,000.00	0.875	05/21/2018	06/05/2013	1.123	1.139	Received	4,919,100.00	4,919,100.00
3136G1NQ8	33161	FNMA	4,000,000.00	1.000	06/19/2017	06/19/2013	0.986	1.000		4,000,000.00	4,000,000.00
3136G1JS9	33190	FNMA	5,000,000.00	0.800	04/11/2017	09/26/2013	1.160	1.176	Received	4,935,000.00	4,935,000.00
3135G0MZ3	33233	FNMA	20,000,000.00	0.875	08/28/2017	02/25/2014	0.952	0.965	Received	19,938,000.00	19,938,000.00
3136G1Z44	33237	FNMA	20,000,000.00	0.750	03/03/2017	03/03/2014	0.740	0.750		20,000,000.00	20,000,000.00
3135G0NC3	33309	FNMA	10,000,000.00	1.000	08/14/2017	11/12/2014	1.026	1.040	Received	9,989,000.00	9,989,000.00
3135G0SU8	33317	FNMA	10,000,000.00	0.600	09/26/2016	11/28/2014	0.592	0.600	Received	10,000,000.00	10,000,000.00
3135G0A94	33347	FNMA	10,000,000.00	1.250	02/13/2018	02/13/2015	1.273	1.291		9,988,000.00	9,988,000.00
3135G0C43	33355	FNMA	25,000,000.00	1.200	02/27/2018	02/27/2015	1.184	1.200		25,000,000.00	25,000,000.00
	Federal Agency Issues - Coupon Totals		**2,131,565,740.37**				**0.852**	**0.864**	**72,094.45**	**2,129,919,717.99**	**2,129,991,812.44**
Federal Agency Issues - Discount											
313384JV2	37910	FHLBDN	10,000,000.00	0.115	07/31/2015	10/30/2014	0.117	0.118		9,991,247.20	9,991,247.20
313384QQ5	37917	FHLBDN	24,880,000.00	0.220	12/17/2015	03/24/2015	0.224	0.228		24,839,252.09	24,839,252.09
313396GC1	37911	FMCDN	50,000,000.00		05/27/2015	11/20/2014	0.101	0.102		49,973,888.89	49,973,888.89
313396MA8	37916	FMCDN	25,000,000.00		09/22/2015	01/29/2015	0.111	0.113		24,981,972.22	24,981,972.22
	Federal Agency Issues - Discount Totals		**109,880,000.00**				**0.132**	**0.134**	**0.00**	**109,786,360.40**	**109,786,360.40**
Local Agency Investment Funds											
SYS40003	40003	LAIF	50,000,000.00	0.363		07/01/2010	0.358	0.363		50,000,000.00	50,000,000.00

Alameda County Treasury
Portfolio Management
Investment Status Report - Investments
March 31, 2015

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Date	YTM 360	YTM 365	Accrued Interest At Purchase	Current Principal	Book Value
	Local Agency Investment Funds Totals		50,000,000.00				0.358	0.363	0.00	50,000,000.00	50,000,000.00
Medium Term Notes											
88579YAD3	45580F	3M	10,000,000.00	1.375	09/29/2016	03/22/2012	1.481	1.502		10,010,933.36	10,010,933.36
037833AJ9	45768	AAPL	6,000,000.00	1.000	05/03/2018	03/11/2014	1.491	1.512	Received	5,877,000.00	5,877,000.00
037833AJ9	45841	AAPL	5,000,000.00	1.000	05/03/2018	11/14/2014	1.487	1.508	1,527.78	4,914,500.00	4,916,027.78
22160KAD7	45686	COST	10,000,000.00	0.770	12/07/2015	06/28/2013	0.881	0.893	Received	9,971,000.00	9,971,000.00
166764AA8	45828	CVX	10,000,000.00	1.104	12/05/2017	11/07/2014	1.203	1.220	Received	9,965,000.00	9,965,000.00
25468PCZ7	45788	DIS	5,000,000.00	0.875	05/30/2017	06/02/2014	0.923	0.936		4,991,000.00	4,991,000.00
36962G6M1	45717C	GE	3,000,000.00	1.000	12/11/2015	10/07/2013	1.057	1.072		3,005,016.00	3,005,016.00
36962G6R0	45745C	GE	5,000,000.00	1.000	01/08/2016	12/17/2013	1.072	1.087		5,013,250.00	5,013,250.00
36962G7J7	45777	GE	5,000,000.00	1.250	05/15/2017	05/15/2014	1.238	1.255		4,999,250.00	4,999,250.00
459200HL8	45737	IBM	4,000,000.00	0.450	05/06/2016	11/27/2013	0.572	0.580	Received	3,987,400.00	3,987,400.00
459200HL8	45738	IBM	2,000,000.00	0.450	05/06/2016	11/27/2013	0.572	0.580	Received	1,993,700.00	1,993,700.00
459200HL8	45847	IBM	14,000,000.00	0.450	05/06/2016	01/15/2015	0.463	0.470	12,075.00	13,996,360.00	14,008,435.00
478160AY0	45595E	JNJ	7,500,000.00	2.150	05/15/2016	06/13/2012	1.636	1.659		7,649,681.25	7,649,681.25
478160BF0	45741	JNJ	2,000,000.00	0.700	11/28/2016	12/05/2013	0.731	0.741		1,997,580.00	1,997,580.00
478160BL7	45844	JNJ	1,000,000.00	1.125	11/21/2017	11/21/2014	1.136	1.152		999,210.00	999,210.00
191216BD1	45735A	KO	10,000,000.00	0.750	11/01/2016	11/18/2013	0.712	0.722		10,011,600.00	10,011,600.00
58933YAD7	45742B	MERCK	5,000,000.00	0.700	05/18/2016	12/06/2013	0.626	0.635		5,009,450.00	5,009,450.00
64952WBH5	45620F	NYL	5,000,000.00	0.750	07/24/2015	09/26/2012	0.762	0.773		5,003,033.34	5,003,033.34
68389XAN5	45825	ORCL	4,500,000.00	1.200	10/15/2017	10/24/2014	1.253	1.270	1,350.00	4,516,290.00	4,517,640.00
717081DD2	45751A	PFIZER	10,000,000.00	0.090	01/15/2017	01/13/2014	0.228	0.232		9,958,600.00	9,958,600.00
742718DV8	45581F	PG	5,000,000.00	1.450	08/15/2016	03/28/2012	1.404	1.424		5,014,149.98	5,014,149.98
742718DV8	45590F	PG	1,400,000.00	1.450	08/15/2016	05/22/2012	1.359	1.378		1,409,571.36	1,409,571.36
742718DV8	45688D	PG	3,750,000.00	1.450	08/15/2016	07/03/2013	1.424	1.444		3,771,484.40	3,771,484.40
931142DC4	45577F	WMT	7,500,000.00	2.800	04/15/2016	01/10/2012	2.343	2.376		7,676,062.88	7,676,062.88
931142CX9	45586E	WMT	2,000,000.00	1.500	10/25/2015	05/02/2012	1.283	1.301		2,014,062.85	2,014,062.85
	Medium Term Notes Totals		143,650,000.00				1.064	1.079	14,952.78	143,755,185.42	143,770,138.20
Negotiable CD's - Bank - S & L											
06366CJR0	65713	BMO	50,000,000.00	0.220	06/03/2015	11/13/2014	0.220	0.223		50,000,000.00	50,000,000.00
06417HB21	65715	BNS	50,000,000.00	0.240	07/28/2015	01/29/2015	0.240	0.243		50,000,000.00	50,000,000.00
62478TBP3	65711	MUFG	50,000,000.00	0.230	05/06/2015	09/26/2014	0.230	0.233		50,000,000.00	50,000,000.00
	Negotiable CD's - Bank - S & L Totals		150,000,000.00				0.230	0.233	0.00	150,000,000.00	150,000,000.00

Alameda County Treasury
Portfolio Management
Investment Status Report - Investments
March 31, 2015

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Date	YTM 360	YTM 365	Accrued Interest At Purchase	Current Principal	Book Value
Money Market Mutual Funds											
SYS70048	70048	AMBECN	0.00	0.050		07/01/2010	0.049	0.050		0.00	0.00
SYS70037	70037	BLACKR	0.00	0.010		07/01/2010	0.010	0.010		0.00	0.00
SYS70072	70072	FEDG10	59,000,000.00	0.010		12/10/2014	0.010	0.010		59,000,000.00	59,000,000.00
SYS70071	70071	FEDGOV	0.00	0.010		12/09/2014	0.010	0.010		0.00	0.00
SYS70070	70070	FEDPRI	75,000,000.00	0.080		09/23/2014	0.079	0.080		75,000,000.00	75,000,000.00
SYS70056	70056	FID1	1,000,000.00	0.010		07/01/2010	0.010	0.010		1,000,000.00	1,000,000.00
SYS70056A	70056A	FID2	1,000,000.00	0.010		07/01/2010	0.010	0.010		1,000,000.00	1,000,000.00
SYS70066	70066	FID3	74,000,000.00	0.100		06/23/2014	0.099	0.100		74,000,000.00	74,000,000.00
SYS70041	70041	JPM	0.00	0.120		07/01/2010	0.118	0.120		0.00	0.00
SYS70040	70040	MLSTNE	0.00	0.010		07/01/2010	0.010	0.010		0.00	0.00
SYS70052	70052	MS1	106,000,000.00	0.110		07/01/2010	0.108	0.110		106,000,000.00	106,000,000.00
SYS70052A	70052A	MS2	1,000,000.00	0.050		07/01/2010	0.049	0.050		1,000,000.00	1,000,000.00
SYS70060	70060	WA193	75,000,000.00	0.070		08/15/2013	0.069	0.070		75,000,000.00	75,000,000.00
SYS70061	70061	WAGOV	8,000,000.00	0.040		08/15/2013	0.039	0.040		8,000,000.00	8,000,000.00
SYS70046	70046	WLMCAP	0.00	0.020		07/01/2010	0.020	0.020		0.00	0.00
	Money Market Mutual Funds Totals		**400,000,000.00**				**0.077**	**0.078**	**0.00**	**400,000,000.00**	**400,000,000.00**
Treasury Securities - Discount											
912796FN4	85233	TBILLS	50,000,000.00	0.210	12/10/2015	12/11/2014	0.213	0.216		49,893,833.33	49,893,833.33
	Treasury Securities - Discount Totals		**50,000,000.00**				**0.213**	**0.216**	**0.00**	**49,893,833.33**	**49,893,833.33**
Joint Powers Authority											
SYS150002	150002	CAMP	100,000,000.00	0.240		03/02/2011	0.237	0.240		100,000,000.00	100,000,000.00
SYS105000	150000	HERMMF	25,000,000.00	0.100		07/01/2010	0.099	0.100		25,000,000.00	25,000,000.00
SYS150001	150001	STFUND	15,000,000.00	0.100		07/01/2010	0.099	0.100		15,000,000.00	15,000,000.00
	Joint Powers Authority Totals		**140,000,000.00**				**0.197**	**0.200**	**0.00**	**140,000,000.00**	**140,000,000.00**
Collateralized MMKT Bank Accounts											
SYS100102	100002	CALBK	45,000,000.00	0.200		07/01/2011	0.197	0.200		45,000,000.00	45,000,000.00
SYS100003	100003	EWEST	0.00	0.300		07/01/2011	0.296	0.300		0.00	0.00
SYS10007	100007	FREMON	0.00	0.050		07/02/2013	0.049	0.050		0.00	0.00
SYS100005	100005	TORREY	6,000,000.00	0.200		06/20/2013	0.197	0.200		6,000,000.00	6,000,000.00
SYS100004	100004	TRIVAL	0.00	0.010		12/27/2012	0.010	0.010		0.00	0.00
SYS100000	100011	UBOC	33,000,000.00	0.085		07/01/2011	0.084	0.085		33,000,000.00	33,000,000.00
SYS100000	100022	UBOC	60,000,000.00	0.085		07/01/2011	0.084	0.085		60,000,000.00	60,000,000.00

Alameda County Treasury
Portfolio Management
Investment Status Report - Investments
March 31, 2015

CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Date	YTM 360	YTM 365	Accrued Interest At Purchase	Current Principal	Book Value
		Collateralized MMKT Bank Accounts Totals	**144,000,000.00**				**0.124**	**0.126**	**0.00**	**144,000,000.00**	**144,000,000.00**
Municipal Bonds											
91412GUT0	200008	CALRAN	3,000,000.00	0.634	05/15/2016	04/10/2014	0.625	0.634		3,000,000.00	3,000,000.00
13017HAC0	200011	CEARTH	1,500,000.00	1.194	07/01/2016	11/06/2014	1.178	1.194		1,500,000.00	1,500,000.00
		Municipal Bonds Totals	**4,500,000.00**				**0.809**	**0.821**	**0.00**	**4,500,000.00**	**4,500,000.00**
		Investment Totals	**3,521,595,740.37**				**0.618**	**0.626**	**87,047.23**	**3,519,766,388.80**	**3,519,853,436.03**

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Education of the
Berkeley Unified School District
2020 Bonar Street, Room 202
Berkeley, California 94702

OPINION: $50,000,000 Berkeley Unified School District (Alameda County, California) General Obligation Bonds, Election of 2010, Series D (2015)

Members of the Board of Education:

We have acted as bond counsel to the Berkeley Unified School District (the "District") in connection with the issuance by the District of $50,000,000 principal amount of Berkeley Unified School District (Alameda County, California) General Obligation Bonds, Election of 2010, Series D (2015) (the "Bonds"), pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code (the "Act"), and a resolution adopted by the Board of Education of the District on May 6, 2015 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

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

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

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

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

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

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

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the BERKELEY UNIFIED SCHOOL DISTRICT (the "District") in connection with the issuance by the District of its $50,000,000 Berkeley Unified School District (Alameda County, California) General Obligation Bonds, Election of 2010, Series D (2015) (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on May 6, 2015 (the "Resolution"). The District covenants and agrees as follows:

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

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

"*Beneficial Owner*" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 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 2014-15 Fiscal Year, which is due not later than March 31, 2016, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

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

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

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

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

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

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

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

(i) The District's approved budget for the then current fiscal year;

(ii) Assessed value of taxable property in the District as shown on the recent equalized assessment role; and

(iii) Property tax levies, collections and delinquencies for the District, for the most recent completed fiscal year.

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

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

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

Section 5. Reporting of Listed Events.

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

(1) Principal and interest payment delinquencies.
(2) Unscheduled draws on debt service reserves reflecting financial difficulties.
(3) Unscheduled draws on credit enhancements reflecting financial difficulties.
(4) Substitution of credit or liquidity providers, or their failure to perform.
(5) Defeasances.
(6) Rating changes.
(7) Tender offers.
(8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
(9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

(1) Non-payment related defaults.
(2) Modifications to rights of security holders.
(3) Bond calls.
(4) The release, substitution, or sale of property securing repayment of the securities.
(5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

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

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

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

Section 8. Dissemination Agent.

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

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

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

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

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

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

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

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

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

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

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

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

Date: [Closing Date]

BERKELEY UNIFIED SCHOOL DISTRICT

By ____________________________________
Superintendent

ACKNOWLEDGED:

KNN PUBLIC FINANCE, as Dissemination Agent

By ____________________________________
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Berkeley Unified School District
Name of Issue:	Berkeley Unified School District (Alameda County, California) General Obligation Bonds, Election of 2010, Series D (2015)
Date of Issuance:	[Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Issuer in connection with the Issue. The Issuer anticipates that the Annual Report will be filed by ________________.

Dated: ___________________________

KNN PUBLIC FINANCE, as Dissemination Agent

By ______________________________________
Authorized Officer

cc: Paying Agent

APPENDIX G

BOOK-ENTRY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede &Co. or such other name as requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as tenders, defaults, and proposed amendments to the Bonds documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them.

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

Payments of principal of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the District determines that DTC shall no longer act and delivers a written certificate to the Paying Agent to that effect, then the District will discontinue the Book-Entry System with DTC for the Bonds. If the District determines to replace DTC with another qualified securities depository, the District will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Resolution. If the District fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) payment of principal of and interest on the Bonds will be payable upon surrender thereof at the trust office of the Paying Agent identified in the Resolution, and (iii) the Bonds will be transferable and exchangeable as provided in the Resolution.

The District and the Paying Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of and interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Resolution; (iv) any consent given or other action taken by DTC as registered owner; or (v) any other matter arising with respect to the Bonds or the Resolution. The District and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of and interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The District and the Paying Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

THIS PAGE INTENTIONALLY LEFT BLANK