

**FRESNO UNIFIED SCHOOL DISTRICT
BOARD AGENDA ITEM**

Agenda Item B-16

AGENDA SECTION <i>(Check Box Below)</i>			
A CONSENT	B DISCUSSION	C RECEIVE	RECOGNIZE/ PRESENT
	X		

Board Meeting Date: August 24, 2011
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ACTION REQUESTED: <i>(Adopt, Approve, Ratify, Discuss, Receive, etc.)</i>	Adopt
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TITLE AND SUBJECT: Adopt Resolution 11-05, Issuance and Sale of General Obligation Bonds, Measure K, Series G Issuance

<p>DESCRIPTION/DISCUSSION: Included in the Board binders is Resolution No. 11-05 providing for the issuance and sale of General Obligation Bonds, Election of 2001, Measure K, Series G in the aggregate principal amount of not to exceed approximately \$55 million. The Series G Bonds shall be issued under the Bond Law for the purpose of raising money to finance educational facilities for which the General Obligation Bonds have been authorized under Measure K. We recommend and respectfully request adoption of Resolution 11-05.</p> <p>Additional related refinancing items are also attached:</p> <ul style="list-style-type: none"> • Preliminary Official Statement • Bond Purchase Contract • Paying Agent Agreement <p>The Preliminary Official Statement will be updated as progress is made on the financing. If necessary, a revised version will be provided.</p> <p>District Goals: The budget addresses each of the four Fresno Unified School District goals for 2008-2013 in that it supports student success through operational excellence.</p>
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FINANCIAL SUMMARY: Funding source: Measure K as approved by voter electorate March, 2001.
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PREPARED BY: Jacquie Canfield, Executive Director, Fiscal Services <i>(Signature Required)</i>	DIVISION: Administrative Services PHONE: 457-3907
DIVISION APPROVAL: <i>[Signature]</i> Ruth F. Quinto, Deputy Superintendent/CFO <i>(Signature Required by Associate Superintendent)</i>	SUPERINTENDENT APPROVAL: <i>[Signature]</i>

**BOARD OF EDUCATION
FRESNO UNIFIED SCHOOL DISTRICT**

**RESOLUTION NO. 11-05 PROVIDING FOR THE ISSUANCE AND
SALE OF GENERAL OBLIGATION BONDS, ELECTION OF 2001,
SERIES G, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO
EXCEED \$55,570,977.74**

WHEREAS, a special bond election was duly and regularly held in the Fresno Unified School District (the "District") on March 6, 2001, under the procedures specified in Proposition 39 (Article XIII A Section 1 paragraph (b) of the California Constitution) for the purpose of submitting Measure K to the qualified electors of the District authorizing the issuance of general obligation bonds of the District in the maximum aggregate principal amount of \$199,000,000 (the "Measure K Authorization"), and more than 55% of the votes cast at said election were in favor of the issuance of such bonds; and

WHEREAS, the Board of Education of the District (the "Board") has previously adopted its Resolution No. 01-06 on March 28, 2001, authorizing the issuance of all of the bonds authorized under the Measure K Authorization in series from time to time pursuant to resolution of the Board; and

WHEREAS, the County of Fresno (the "County") has previously issued two series of bonds on behalf of the District under the Measure K Authorization in the aggregate principal amount of \$41,000,000, and the District has a previously issued four series of bonds under the Measure K Authorization in the aggregate principal amount of \$102,429,022.26, leaving \$55,570,977.74 of authorized but unissued bonds; and

WHEREAS, the Board is authorized to provide for the issuance and sale of any series of its general obligation bonds under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"); and

WHEREAS, the District wishes at this time to initiate proceedings for the issuance of a series of bonds under the Measure K Authorization and the Bond Law in the aggregate principal amount of not to exceed \$55,570,977.74 as provided in this Resolution;

NOW, THEREFORE, the Board of Education of the District hereby finds, determines, declares and resolves as follows:

Section 1. Bond Authorization. The Board hereby authorizes the issuance of a seventh series of general obligation bonds under the Measure K Authorization in the aggregate principal amount of not to exceed \$55,570,977.74 (the "Series G Bonds"). The Series G Bonds shall be issued under the Bond Law for the purpose of raising money to finance educational facilities described in the Measure K Authorization.

Section 2. Paying Agent Agreement. The Series G Bonds shall be issued upon the terms and conditions set forth in the Paying Agent Agreement between the District and U.S. Bank National Association, as paying agent (the "Paying Agent"), in substantially the form on file with the Clerk of the Board together with any changes

therein or modifications thereof which are approved by the Superintendent or the Deputy Superintendent/Chief Financial Officer, Administrative Services (each, an "Authorized Officer"), whose execution thereof shall be conclusive evidence of the approval of any such changes or modifications. An Authorized Officer is directed to authenticate and execute the final form of the Paying Agent Agreement in the name and on behalf of the District.

Section 3. Material Provisions of Series G Bonds. The Series G Bonds are authorized to be issued in the form of current interest bonds, capital appreciation bonds or convertible capital appreciation bonds, or any combination thereof. Interest on the Series G Bonds shall be payable or shall compound on February 1 and August 1 in each year, commencing February 1, 2012, and principal of the Series G Bonds shall be payable on August 1 in any year. The Series G Bonds shall be subject to redemption in accordance with the redemption provisions set forth in the final form of the Paying Agent Agreement. The Series G Bonds may be issued in whole or in part as term bonds which are subject to mandatory sinking fund redemption on August 1 in any year, in lieu of having a principal maturity in such year.

Section 4. Sale of Series G Bonds. The Board hereby authorizes the negotiated sale of the Series G Bonds to an underwriting firm or firms to be designated by an Authorized Officer (the "Underwriters"), pursuant to Section 53508.7 of the Bond Law. The Series G Bonds shall be sold to the Underwriters pursuant to the Bond Purchase Agreement between the District and the Underwriters in substantially the form on file with the Clerk of the Board together with any additions thereto or changes therein approved by an Authorized Officer, whose execution thereof shall be conclusive evidence of approval of any such additions and changes. An Authorized Officer is hereby authorized and directed to execute and deliver the final Bond Purchase Agreement in the name and on behalf of the District; provided that the Series G Bonds shall bear interest at rates which do not exceed the legal maximum and the Underwriters' discount shall not exceed 0.50% of the aggregate principal amount of the Series G Bonds.

In accordance with Section 15146 of the California Education Code, the Board has determined to sell the Series G Bonds at a negotiated sale for the following reasons: (i) the District has selected the Underwriters through a competitive process based on consideration of the qualifications and cost of their underwriting services, (ii) the Underwriters are familiar with the financial condition and operations of the District, and (iii) a negotiated sale provides more flexibility to choose the time and date of the sale which is advantageous in a volatile municipal bond market.

Section 5. Professional Services; Estimated Financing Costs. Keygent LLC has previously been engaged as financial advisor to the District and Jones Hall, A Professional Law Corporation, has previously been engaged as bond counsel and disclosure counsel to the District. The estimated costs of issuance associated with the bond sale are 0.50% of the principal amount of the Series G Bonds, which include the financial advisor, bond counsel and disclosure counsel fees, rating agency fees and paying agent fees. The costs of issuing the Series G Bonds shall be paid in accordance with a custodial agreement to be entered into between the District and U.S. Bank National Association, as custodian.

Section 6. Official Statement. The Board hereby approves and deems nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934 (the

"Rule"), the preliminary Official Statement describing the Series G Bonds in the form on file with the Clerk of the Board. An Authorized Officer is hereby individually authorized, at the request of the Underwriters, to execute an appropriate certificate affirming the Board's determination that the preliminary Official Statement has been deemed nearly final within the meaning of such Rule. Distribution of the preliminary Official Statement by the Underwriters is hereby approved. An Authorized Officer is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by an Authorized Officer shall be conclusive evidence of approval of any such changes and additions. The Board hereby authorizes the distribution of the final Official Statement by the Underwriters.

Section 7. Building Fund. The Auditor-Controller/Treasurer-Tax Collector of the County of Fresno (the "County Treasurer") is hereby directed to establish, hold and maintain a fund to be known as the "Fresno USD Building Fund, Election of 2001, Series G" (the "Building Fund"), which the County Treasurer shall maintain as a separate account, distinct from all other funds of the County and the District. Upon the issuance of the Series G Bonds, a portion of the proceeds of sale thereof shall be transferred to the County Treasurer to be credited to the Building Fund. Amounts on deposit in the Building Fund shall be expended by the District solely for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities for which the Series G Bond proceeds are authorized to be expended under the Bond Measure. All interest and other gain arising from the investment of amounts deposited to the Building Fund shall be retained in the Building Fund and used for the purposes thereof.

Section 8. Security for the Series G Bonds. The Series G Bonds are general obligations of the District payable from the levy of *ad valorem* taxes upon all property within the District subject to taxation by the District, without limitation as to rate or amount, for the payment of the Series G Bonds and the interest thereon. The County is hereby directed to levy on all the taxable property in the District, in addition to all other taxes, a continuing direct and *ad valorem* tax annually during the period the Series G Bonds are Outstanding in an amount sufficient to pay the principal of and interest on the Series G Bonds when due, which moneys when collected shall be placed in the Debt Service Fund as set forth in Section 9.

The principal of and interest on Series G Bonds do not constitute a debt of the County, the State of California, or any of its political subdivisions other than the District, or any of the officers, agents or employees thereof, and neither the County, the State of California, any of its political subdivisions nor any of the officers, agents or employees thereof shall be liable thereon. In no event are the principal of and interest on the Series G Bonds payable out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District.

Section 9. Establishment of Debt Service Fund. The County Treasurer is hereby directed to establish, hold and maintain a fund to be known as the "Fresno USD General Obligation Bond Debt Service Fund, Election of 2001, Series G" (the "Debt Service Fund"), to be maintained by the County Treasurer as a separate account, distinct from all other funds of the County and the District. All taxes levied by the County, as directed by the District herein, for the payment of the principal of and interest on the Series G Bonds shall be deposited in the Debt Service Fund by the County Treasurer promptly upon apportionment of said levy. The District hereby irrevocably

pledges the Debt Service Fund for the payment of the principal of and interest on the Series G Bonds when and as the same become due.

Section 10. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, which shall be executed by an Authorized Officer and delivered on the date of issuance of the Series G Bonds. Notwithstanding any other provision of this Resolution, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered a default by the District hereunder or under the Series G Bonds; however, any Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) or any holder or beneficial owner of the Series G Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Section 11. Limited Duties of County; Indemnification. The County (including its officers, agents and employees) shall undertake only those duties of the County under this Resolution which are specifically set forth in this Resolution, and even during the continuance of an event of default with respect to the Series G Bonds, no implied covenants or obligations shall be read into this Resolution against the County (including its officers, agents and employees). The District further agrees to indemnify, defend and save the County (including its officers, agents and employees) harmless against any and all liabilities, costs, expenses, damages and claims which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or bad faith.

Section 12. Execution of Documents. The Superintendent, the Deputy Superintendent/Chief Financial Officer, Administrative Services, the Clerk of the Board and any and all other officers of the District are each authorized and directed in the name and on behalf of the District to execute and deliver any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Series G Bonds. Whenever in this Resolution any officer of the District is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

Section 13. Effective Date of Resolution. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED AND ADOPTED this 24th day of August, 2011, by the following vote:

AYES:

NOES:

ABSENT:

President of the Board of Education
Fresno Unified School District,
Fresno County, California

ATTEST:

Secretary of the Board of Education
Fresno Unified School District,
Fresno County, California

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2011

NEW ISSUE -- FULL BOOK-ENTRY

RATING: Moody's: "____"
See "RATING" herein

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. See "TAX MATTERS" herein.

\$47,000,000*
FRESNO UNIFIED SCHOOL DISTRICT
(Fresno County, California)
General Obligation Bonds
Election of 2010, Series A

\$55,000,000*
FRESNO UNIFIED SCHOOL DISTRICT
(Fresno County, California)
General Obligation Bonds
Election of 2001, Series G

Dated: Date of Delivery

Due: August 1, as shown below

Issuance. The Fresno Unified School District General Obligation Bonds, Election of 2010, Series A (the "2010 Series A Bonds"), in the aggregate principal amount of \$44,000,000*, and the Fresno Unified School District General Obligation Bonds, Election of 2001, Series B (the "2001 Series G Bonds"), in the aggregate principal amount of \$55,000,000*, are being issued by the Fresno Unified School District (the "District") pursuant to a resolution of the Board of Education of the District adopted on June 15, 2011 and a resolution of the Board of Education of the District adopted on August 24, 2011, respectively (the "Bond Resolutions") and a separate Paying Agent Agreement, each dated as of August 1, 2011 (the "Paying Agent Agreements"), between the District and U.S. Bank National Association, as paying agent (the "Paying Agent"). The Series A Bonds were authorized at an election of the registered voters of the District held on November 2, 2010, which authorized the issuance of \$280,000,000 principal amount of general obligation bonds for the purpose of financing the construction, renovation, modernization and equipping of school facilities. The Bonds were authorized at an election of the registered voters of the District held on March 6, 2001, which authorized the issuance of \$199,000,000 principal amount of general obligation bonds for the purpose of financing the construction, renovation, modernization and equipping of school facilities. See "THE BONDS - Authority for Issuance" and "-Purpose of Issue."

Security. The Series A Bonds and the Series G Bonds (collectively, the "Bonds") are general obligation bonds of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of Fresno County has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds. The District has other series of general obligation bonds outstanding which are similarly secured by tax levies. All general obligation bonds are issued on a parity basis with one another. See "SECURITY FOR THE BONDS."

Redemption. The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity under certain circumstances, as described herein. See "THE BONDS - Optional Redemption" and "-Mandatory Sinking Fund Redemption."

Book-Entry Only. 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 of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interests in the Bonds. See "THE BONDS - Book-Entry-Only System."

Payments. The Bonds are dated the date of delivery set forth above and are authorized to be issued as Current Interest Bonds, Capital Appreciation Bonds and Convertible Capital Appreciation Bonds. The Current Interest Bonds accrue interest from the dated date at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing February 1, 2012. The Capital Appreciation Bonds and the Convertible Capital Appreciation Bonds accrete interest from the dated date, compounded semiannually on February 1 and August 1 of each year, commencing on February 1, 2012. On the respective Conversion Dates set forth on the inside cover page, the Convertible Capital Appreciation Bonds will convert to Current Interest Bonds in principal amounts equal to the Accreted Value (defined herein) on the Conversion Date (the "Conversion Value"). After the Conversion Date, interest with respect to the Convertible Capital Appreciation Bonds will accrue and be payable semiannually on February 1 and August 1 of each year until maturity. Payments of principal of and interest on the Bonds will be paid by U.S. Bank National Association, Los Angeles, California, as paying agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

Bond Insurance. The District has applied for bond insurance to guarantee the scheduled payment of principal of and interest on the Bonds and, if a commitment is issued to insure the Bonds, will determine prior to the sale of the Bonds whether to obtain such insurance.

The following firm is serving as financial advisor to the District:

MATURITY SCHEDULE
(see inside front cover)

This cover page contains information for general reference only. It is not a summary of all the provisions of the Bonds. Investors must read the entire official statement to obtain information essential in making an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Jones Hall, A Professional Law Corporation, is also acting as Disclosure Counsel to the District. It is anticipated that the Bonds in definitive form will be available for delivery through the facilities of DTC on or about September __, 2011.

[LOGOS OF UNDERWRITERS]

The date of this Official Statement is July __, 2011.

**Preliminary, subject to change.*

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE*

\$47,000,000*
FRESNO UNIFIED SCHOOL DISTRICT
 (Fresno County, California)
General Obligation Bonds
Election of 2010, Series A

\$55,000,000*
FRESNO UNIFIED SCHOOL DISTRICT
 (Fresno County, California)
General Obligation Bonds
Election of 2001, Series G

Base CUSIP†: _____

\$_____ Current Interest Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP†
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\$_____ Initial Denominational Amount (\$_____ Maturity Value)
 Capital Appreciation Bonds

Maturity Date (August 1)	Initial Denominational Amount	Accretion Rate	Yield to Maturity	Maturity Value	CUSIP†
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\$_____ Initial Denominational Amount (\$_____ Conversion Value)
 Convertible Capital Appreciation Bonds

Maturity Date (August 1)	Initial Denominational Amount	Accretion Rate to Conversion	Conversion Date	Conversion Value	Interest Rate after Conversion	CUSIP†
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*Preliminary; subject to change.

† Copyright 2011, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the District nor the Underwriters assume any responsibility for the accuracy of these CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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 owner and the District or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriters 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.

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

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.

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.

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.

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

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

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exception from the registration requirements contained in such Act. The Bonds have not been registered or qualified under the securities law of any state.

**FRESNO UNIFIED SCHOOL DISTRICT
FRESNO COUNTY
STATE OF CALIFORNIA**

DISTRICT BOARD OF EDUCATION

Michelle Arax Asadoorian, *President*
Janet Ryan, *Clerk*
Valerie F. Davis, *Member*
Lindsay Cal Johnson, *Member*
Carol Mills, J.D., *Member*
Larry A. Moore, *Member*
Tony Vang, Ed.D., *Member*

DISTRICT ADMINISTRATION

Michael E. Hanson, *Superintendent*
Ruth F. Quinto, *Deputy Superintendent/Chief Financial Officer, Administrative Services*
Karin Temple, *Assistant Superintendent, Operational Services*
Jacquie Canfield, *Administrator, Fiscal Services*

BOND and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR

Keygent LLC
El Segundo, California

PAYING AGENT, TRANSFER AGENT, AND BOND REGISTRAR

U.S. Bank National Association
Los Angeles, California

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APPENDIX A - General and Financial Information About the District

APPENDIX B - Audited Financial Statements of the District for Fiscal Year Ended June 30, 2010

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APPENDIX D - Form of Opinion of Bond Counsel

APPENDIX E - Form of Continuing Disclosure Certificate

APPENDIX F - DTC and the Book-Entry System

APPENDIX G - Accreted Value Tables

\$47,000,000*
FRESNO UNIFIED SCHOOL DISTRICT
(Fresno County, California)
General Obligation Bonds
Election of 2010, Series A

\$55,000,000*
FRESNO UNIFIED SCHOOL DISTRICT
(Fresno County, California)
General Obligation Bonds
Election of 2001, Series G

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale and delivery by the Fresno Unified School District (the "**District**") of the Fresno Unified School District (Fresno County, California) General Obligation Bonds, Election of 2010, Series A, in the principal amount of \$47,000,000* (the "**Series A Bonds**") and the Fresno Unified School District (Fresno County, California) General Obligation Bonds, Election of 2001, Series G, in the principal amount of \$55,000,000* (the "**Series G 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 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 Fresno City School District was formed as an elementary school district on February 6, 1873 in Fresno County (the "**County**"), when one teacher taught 15 students in a rented room. Its first school was built in 1875. The District became operative as a unified school district on July 1, 1948, following annexation of the Calwa School District to the Fresno City School District, which made the boundaries of the latter coterminous with the boundaries of the Fresno High School District. Since 1947, the District has annexed all or parts of eight other school districts. The District presently serves students from the cities of Clovis and Fresno, California, and some unincorporated areas of Fresno County. The District is defined, roughly, by W. Herndon Avenue providing its northern boundary, N. Clovis Avenue providing its eastern boundary, E. North Avenue providing its southern boundary and N. Brawley Avenue and S. Cornelia Avenue providing its western boundary. With 100 schools and 71,793 students enrolled in fiscal year 2010-11, the District is the fourth largest public school district in California as measured by average daily attendance. See "APPENDIX A – General and Financial Information About the District."

Sources of Payment for the Bonds

The Bonds are general obligation bonds of the District payable from *ad valorem* property taxes. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* property taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY FOR THE BONDS" herein.

* Preliminary, subject to change.

Purpose of Issue

The net proceeds of the Series A Bonds will be used to finance the construction, renovation, modernization and equipping of school facilities as approved by the voters at an election held in the District on November 2, 2010. The net proceeds of the Series G Bonds will be used to finance the construction, renovation, modernization and equipping of school facilities as approved by the voters at an election held in the District on March 6, 2001. See "THE BONDS - Purpose of Issue" and "- Authority for Issuance" and "SOURCES AND USES OF FUNDS" herein.

Description of the Bonds

Form of Bonds. The Bonds are authorized to be issued as current interest bonds (the "**Current Interest Bonds**"), capital appreciation bonds (the "**Capital Appreciation Bonds**") and convertible capital appreciation bonds (the "**Convertible Capital Appreciation Bonds**"). The Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. 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 "THE BONDS – Description of the Bonds," "Book-Entry Only System" below and "APPENDIX F – Book-Entry Only System."

Redemption. The Bonds are subject to redemption prior to maturity as described in "THE BONDS - Optional Redemption" and "-Mandatory Sinking Fund Redemption" herein.

Legal Matters

Issuance of the Bonds is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as bond counsel ("**Bond Counsel**"), to be delivered in substantially the form attached hereto as Appendix D. Jones Hall, A Professional Law Corporation, San Francisco, California, will also serve as Disclosure Counsel to the District ("**Disclosure Counsel**"). Payment of the fees of Bond Counsel and Disclosure Counsel is contingent upon issuance of the Bonds. See "APPENDIX D – Form of Opinion of Bond Counsel."

Tax Matters

Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also, in the opinion of Bond Counsel, interest on the Bonds will be exempt from State of California (the "**State**") personal income taxes. See "TAX MATTERS" herein.

Authority for Issuance of the Bonds

Issuance of the Series A Bonds was approved by at least 55% of the voters of the District voting at an election held on November 2, 2010 (the "**Measure Q Bond Election**") and will be issued pursuant to certain provisions of the Government Code of the State, commencing with Section 53506 thereof (the "**Bond Law**"), pursuant to a resolution adopted by the Board of Education of the District adopted on June 15, 2011 (the "**Series A Bond Resolution**"), and pursuant to a Paying Agent Agreement, dated as of August 1, 2011 (the "**Series B Paying Agent Agreement**"), between the District and U.S. Bank National Association, as paying agent (the "**Paying Agent**").

Issuance of the Series G Bonds was approved by at least 55% of the voters of the District voting at an election held on March 6, 2001 (the "**Measure K Bond Election**") and will be issued pursuant to certain provisions of the Government Code of the State, commencing with Section 53506 thereof (the "**Bond Law**"), pursuant to a resolution adopted by the Board of Education of the District adopted on August 24, 2011 (the "**Series G Bond Resolution**"), and pursuant to a Paying Agent Agreement, dated as of August 1, 2011 (the "**Series G Paying Agent Agreement**"), between the District and the Paying Agent.

See "THE BONDS - Authority for Issuance" herein.

Offering and Delivery of the Bonds

The Series A Bonds and the Series G Bonds (collectively, the "Bonds") are offered when, as and if issued and received by the purchasers, subject to approval as to the legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about August 9, 2011.

Bond Insurance

The District has applied for bond insurance to guarantee the scheduled payment of principal of and interest on the Bonds and, if a commitment is issued to insure the Bonds, will determine prior to the sale of the Bonds whether to obtain such insurance.

Continuing Disclosure

The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed in connection with the Bonds. The form of the Continuing Disclosure Certificate is included in Appendix E hereto. See "CERTAIN LEGAL MATTERS - Continuing Disclosure" herein.

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 from the Superintendent of the District, Fresno Unified School District, 2309 Tulare Street, Fresno, California 93721 (the "**Superintendent's Office**"). 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 Series A Bonds will be issued under the Bond Law, the Series A Bond Resolution and the Series A Paying Agent Agreement. The District received authorization at the Bond Election, by at least fifty-five percent vote of the qualified electors, to issue general obligation bonds in a principal amount of \$280,000,000 (the "**Measure Q Authorization**"). The Series A Bonds represent the first issuance pursuant to the Measure Q Authorization.

The Series G Bonds will be issued under the Bond Law, the Series G Bond Resolution and the Series G Paying Agent Agreement. The District received authorization at the Bond Election, by at least fifty-five percent vote of the qualified electors, to issue general obligation bonds in a principal amount of \$199,000,000 (the "**Measure K Authorization**"). The Series G Bonds represent the seventh issuance pursuant to the Measure K Authorization.

The District has prior issues of general obligation bonds and refunding general obligation bonds outstanding as of this date, which are payable on a parity basis with the Bonds. See "DEBT SERVICE SCHEDULES" below, and Appendix A under the heading "DISTRICT FINANCIAL INFORMATION – Long-Term Debt" for additional information.

Purpose of Issue

The proceeds of bonds issued pursuant to the Measure Q Authorization will be used for the purposes specified in the ballot measure approved by the District's voters on November 2, 2010, the abbreviated form of which is:

"To offset state budget cuts, attract quality teachers, and repair classrooms by:

- Upgrading vocational education classrooms / science labs / technology / libraries;*
- Improving security / fire safety / restrooms / plumbing / ventilation systems;*
- Increasing handicapped access;*
- Securing state matching funds;*
- Preventing dropouts by improving alternative schools;*
- Acquiring, constructing, repairing campuses / facilities / equipment;*

Shall Fresno Unified School District issue \$280 million in bonds requiring audits, citizens' oversight, no money for administrators' salaries, no money for Sacramento, and no tax rate increase?"

The proceeds of bonds issued pursuant to the Measure K Authorization will be used for the purposes specified in the ballot measure approved by the District's voters on March 6, 2001, the abbreviated form of which is:

"Shall the Fresno Unified School District:

- reduce overcrowding by building new classrooms,*
- make the District eligible for State matching funds,*

- *replace leaky roofs,*
- *repair plumbing, heating and air conditioning systems,*
- *renovate and modernize deteriorating classrooms,*
- *build library/media centers at elementary schools,*
- *upgrade classroom electrical wiring for computers,*
- *repair, rehabilitate, construct and acquire educational facilities and related property;*

and issue \$199 million of bonds for the above purposes, at interest rates within the legal limit?"

Description of the Bonds

The Bonds are authorized to be issued as Current Interest Bonds, Capital Appreciation Bonds and Convertible Capital Appreciation Bonds. The Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. 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" below and "APPENDIX F – Book-Entry Only System."

Current Interest Bonds. The Current Interest Bonds shall be issued in denominations of \$5,000 principal amount each or any integral multiple thereof. Interest on the Current Interest Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2012 (each, an "**Interest Payment Date**"). Each Current Interest Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15th) day of the month preceding the Interest Payment Date (the "**Record Date**"), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to January 15, 2012, in which event it will bear interest from the Closing Date identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Current Interest Bond is in default at the time of authentication thereof, such Current Interest Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Current Interest Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Current Interest Bonds.

Capital Appreciation Bonds. The Capital Appreciation Bonds are dated the date of delivery, and accrete interest from such date. The Capital Appreciation Bonds are issuable in denominations of \$5,000 Maturity Value [**TO BE DISCUSSED**] or any integral multiple thereof. The Capital Appreciation Bonds are payable only at maturity, according to the amounts set forth in the accreted value table. See "APPENDIX G - Accreted Value Tables,"

The Capital Appreciation Bonds do not bear current interest, but accrete in value on each February 1 and August 1, commencing on February 1, 2012, to maturity, from the Denominational Amount on the date of delivery thereof to the stated Maturity Value at maturity thereof. See "APPENDIX G – Accreted Value Tables".

The interest portion of the Maturity Value of any Capital Appreciation Bond which is payable on the date of maturity shall represent interest accrued and coming due on such date.

The Maturity Value of any Capital Appreciation Bond at maturity shall be payable by check mailed by first-class mail, in lawful money of the United State of America upon presentation and surrender of such Capital Appreciation Bond at the Office of the Paying Agent.

Convertible Capital Appreciation Bonds. The Convertible Capital Appreciation Bonds will initially be issued as Capital Appreciation Bonds, but will convert to Current Interest Bonds on the conversion date set forth on the inside cover page hereof (the “**Conversion Date**”). The Convertible Capital Appreciation Bonds will be dated the date of delivery, and will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 Conversion Value or any integral multiple thereof. The Conversion Value of each Convertible Capital Appreciation Bond is equal to its Accreted Value upon the Conversion Date.

Prior to the Conversion Date, the Convertible Capital Appreciation Bonds will not bear current interest; each Convertible Capital Appreciation Bond will accrete in value on each February 1 and August 1, commencing on February 1, 2012 to its respective Conversion Date. From and after the applicable Conversion Date, each Convertible Capital Appreciation Bond will bear interest on a principal amount equal to the Conversion Value, payable on each Interest Payment Date following the Conversion Date, to maturity. The Convertible Capital Appreciation Bonds mature on August 1, in the years and amounts set forth on the inside cover page hereof. Payments of principal of and interest on the Convertible Capital Appreciation Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Current Interest Bonds.

Paying Agent

U.S. Bank National Association, Los Angeles, California, will act as the registrar, transfer 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 Bonds, the Paying Agent will send any notice of redemption 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 redemption of the Bonds called for redemption or of any other action covered by such notice.

The Paying Agent, the District, the County and the Underwriters of the Bonds 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 Bonds.

Optional Redemption

Capital Appreciation Bonds. The Capital Appreciation Bonds are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 20____, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

Current Interest Bonds and Convertible Capital Appreciation Bonds. The Current Interest Bonds and the Convertible Capital Appreciation Bonds are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of

funds, on August 1, 20____, or on any date thereafter, at a price equal to 100% of the accreted value thereof, without premium.

For the purpose of selection for optional redemption, Bonds will be deemed to consist of \$5,000 portions, and any such portion may be separately redeemed.

Mandatory Sinking Fund Redemption

The Current Interest Bonds maturing on August 1, 20____ (the “**Term Bonds**”), are subject to mandatory sinking fund redemption on August 1 of each years in accordance with the schedule set forth below. The Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium.

Term Bonds Maturing August 1, 20____

Redemption Date (August 1)	Sinking Fund Redemption
-------------------------------	----------------------------

The Convertible Capital Appreciation Bonds maturing on August 1, 20____ (the “**Term Convertible CABs**”), are subject to mandatory sinking fund redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by each Term Bond to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

Term Convertible CABs Maturing August 1, 20____

Redemption Date (August 1)	Conversion Value to be Redeemed
-------------------------------	------------------------------------

Notice of Redemption

The Paying Agent is required to give notice of the redemption of the Bonds, at the expense of the District. Notice of any redemption of Bonds shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the Principal Amount or accreted value of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price thereof, and that from and after such date, interest thereon shall cease to accrue.

The Paying Agent on behalf and at the expense of the District shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the bond registration books of the Paying Agent, at least 30 but not more than 60 days prior to the date fixed for redemption. Neither the failure to receive, failure to send any notice of redemption nor any defect in any such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds.

From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, the Bonds called for redemption will cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in the notice.

Partial Redemption of Bonds

Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in transfer amounts to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the County and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Right to Rescind Notice of Redemption

The District has the right to rescind any notice of the optional redemption of Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption. The District and the Paying Agent have no liability to the Bond owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Bond Resolution.

Defeasance

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

- (a) by paying or causing to be paid the principal or redemption price of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Bonds; or
- (c) by delivering such Bonds to the Paying Agent for cancellation by it.

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

securities held by the Paying Agent in the funds and accounts established under the Bond Resolution and will be:

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

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

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

"Federal Securities" means United States Treasury notes, bonds, bills or certificates of indebtedness, or obligations issued by any agency or department of the United States which are secured, directly or indirectly, by the full faith and credit of the United States.

Book-Entry Only System

The Bonds will be registered initially in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York ("**DTC**"), which has been appointed as securities depository for the Bonds, and registered ownership may not be transferred thereafter except as provided in the Bond Resolution. Purchasers will not receive certificates representing their interests in the Bonds. Principal of the Bonds will be paid by the Paying Agent to DTC, which in turn is obligated to remit such principal to its participants for subsequent disbursement to beneficial owners of the Bonds as described herein. See "APPENDIX F – DTC and the Book-Entry System."

Registration, Transfer and Exchange of Bonds

If the book entry system is discontinued, the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Bonds.

If the book entry system is discontinued, the person in whose name a Bond is registered on the Bond Register shall be regarded as the absolute owner of that Bond. Payment of the principal of and interest on any Bond shall be made only to or upon the order of that person; neither the District, the County nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided in the Bond Resolution.

Bonds may be exchanged at the principal corporate trust office of the Paying Agent in Los Angeles, California for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. Any Bond may, in accordance with its terms, but only if (i) the District determines to no longer maintain the book entry only status of the Bonds, (ii) DTC determines to discontinue providing such services and no successor securities depository is named or (iii) DTC requests the District to deliver Bond certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

No exchanges of Bonds shall be required to be made (a) fifteen days prior to an Bond Payment Date or the date established by the Paying Agent for selection of Bonds for redemption until the close of business on the Bond Payment Date or day on which the applicable notice of redemption is given or (b) with respect to a Bond after such Bond has been selected or called for redemption in whole or in part.

DEBT SERVICE SCHEDULES

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

FRESNO UNIFIED SCHOOL DISTRICT Debt Service Schedule General Obligation Bonds Election of 2010, Series A

<u>Period Ending (August 1)</u>	<u>Current Interest Bonds</u>		<u>Capital Appreciation Bonds</u>		<u>Convertible Capital Appreciation Bonds</u>		<u>Total Annual Debt Service</u>
	<u>Principal</u>	<u>Current Interest</u>	<u>Initial Principal</u>	<u>Accreted Interest</u>	<u>Conversion Value</u>	<u>Interest</u>	
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
TOTAL							

**FRESNO UNIFIED SCHOOL DISTRICT
Debt Service Schedule
General Obligation Bonds
Election of 2001, Series G**

<u>Period Ending (August 1)</u>	<u>Current Interest Bonds</u>		<u>Capital Appreciation Bonds</u>		<u>Convertible Capital Appreciation Bonds</u>		<u>Total Annual Debt Service</u>
	<u>Principal</u>	<u>Current Interest</u>	<u>Initial Principal</u>	<u>Accreted Interest</u>	<u>Conversion Value</u>	<u>Interest</u>	
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
TOTAL							

The following table shows the combined debt service schedule with respect to the District's outstanding general obligation bonds and the Bonds, each assuming no optional redemptions. See Appendix A under the heading "DISTRICT FINANCIAL INFORMATION – Long-Term Debt" for additional information.

**FRESNO UNIFIED SCHOOL DISTRICT
Combined Debt Service Schedule
General Obligation Bonds**

Period Ending (August 1)	1995 General Obligation Bonds Debt Service	2001 General Obligation Bonds Debt Service	Election of 2010, Series A Bonds Debt Service	Aggregate Annual Debt Service
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
TOTAL				

SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Series A Bonds are as follows:

Sources of Funds:

Principal Amount of Series A Bonds
Plus Net Original Issue Premium

Total Sources:

Uses of Funds:

Building Fund
Costs of Issuance⁽¹⁾
Debt Service Fund
Underwriters' Discount

Total Uses:

(1) Costs of Issuance include legal fees, financial advisory fees, printing costs, rating agency fees and other miscellaneous costs and expenses of issuing the Bonds.

The sources and uses of funds with respect to the Series G Bonds are as follows:

Sources of Funds:

Principal Amount of Series G Bonds
Plus Net Original Issue Premium

Total Sources:

Uses of Funds:

Building Fund
Costs of Issuance⁽¹⁾
Debt Service Fund
Underwriters' Discount

Total Uses:

(1) Costs of Issuance include legal fees, financial advisory fees, printing costs, rating agency fees and other miscellaneous costs and expenses of issuing the Bonds.

APPLICATION OF PROCEEDS OF BONDS

Building Fund

The proceeds from the sale of each series of the Bonds, to the extent of the principal amount thereof, will be paid to the County to the credit of the fund created and established in the Bond Resolution and known as the "Building Fund" (the "**Building Fund**"), which will be accounted for as separate and distinct from all other District and County funds. The proceeds will be used solely for the purposes for which the Bonds are being issued and for payment of permissible costs of issuance. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. If, after payment in full of the Bonds, there remains excess proceeds, any such excess amounts shall be transferred to the debt service fund of the District's 2010 Refunding General Obligation Bonds. Interest earnings on the investment of monies held in the Building Fund will be retained in the Building Fund.

Debt Service Fund

The accrued interest and any premium, if any, received by the County from the sale of the Bonds, together with the collections of *ad valorem* property taxes, will be deposited in an interest and sinking fund for the Bonds (the "**Debt Service Fund**"), which is maintained by the County and which is created by statute for the payment of principal of and interest on the Bonds when due. Interest earnings on the investment of monies held in the Debt Service Fund will be retained in the Debt Service Fund and used by the County to pay the principal of and interest on the Bonds when due.

Investment of Proceeds of Bonds

Under California law, the District is generally required to pay all monies received from any source into the County Treasury to be held on behalf of the District. The proceeds of the Bonds to be deposited in the Building Fund and the Debt Service Fund initially will be deposited in the Treasury of the County which is administered by the County Auditor-Controller/Treasurer/Tax Collector (the "**Treasurer**"). Proceeds of the Bonds held by the Treasurer will be invested at the Treasurer's discretion pursuant to law and the investment policy of the County, unless otherwise requested in writing by the District as follows:

- (i) At the written request of the District, the Treasurer may invest all or any portion of any Building Fund in the Local Agency Investment Fund in the treasury of the State of California.
- (ii) At the written request of the District, all or any portion of any Building Fund may be invested on behalf of the District in investment agreements, including guaranteed investment contracts, which comply with the requirements of each rating agency then rating the applicable series of Bonds.

For further information concerning the County's investment policy, including quarterly reports, the County's website (Treasurer's Division) may be accessed at <http://www.co.fresno.ca.us/DepartmentPage.aspx?id=6258>. The information contained within the website may not be current and is not incorporated in this Official Statement by reference.

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District payable solely from certain property tax levies. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds. Such taxes are required to be levied annually, in addition to all other taxes, during the period that any 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 into the Debt Service Fund for the Bonds, which is maintained by the County and which is created by statute for the payment of principal of and interest on the Bonds when due. Although the County is obligated to levy an *ad valorem* property tax for the payment of Bonds, and will maintain the Debt Service Fund pledged to the repayment of the Bonds, the Bonds are not a debt of the County. The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred by the County to the Paying Agent 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 of and interest on the Bonds to the DTC Participants who will thereupon make payments of principal of and interest to the beneficial owners of the Bonds. See "THE BONDS – The Book-Entry Only System."

The amount of the annual *ad valorem* property 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. A reduction in the assessed valuation of taxable property in the District caused by economic factors beyond the District's control, such as economic recession, slower growth, or deflation of land values, a relocation out of the District by one or more major property owners, or the complete or partial destruction of such property caused by, among other eventualities, an earthquake, flood or other natural disaster, could cause a reduction in the assessed value of the District and necessitate an unanticipated increase in the annual tax levy.

Ad Valorem Property Taxation

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. For assessment and 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 public utilities property and real property having a tax lien which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "**unsecured roll.**"

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches 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 a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the 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 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority 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 assessee.

Assessed Valuations

The assessed valuation of property in the District is established by the Fresno 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 XIII A of the California Constitution. The full 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, or to reflect declines in property value caused by substantial damage, destruction or other factors, including assessment appeals filed by property owners. For a discussion of how properties currently are assessed, see Appendix A under the heading "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

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.

Property within the District had a net taxable assessed valuation for fiscal year 2010-11 of \$17,599,905,184 (before deduction of the redevelopment increment), and is expected to have a net taxable assessed valuation for fiscal year 2011-12 of approximately \$16,973,112,979. Shown in the following table are the assessed valuations for the District for the past six fiscal years, with projections for 2011-12.

FRESNO UNIFIED SCHOOL DISTRICT Assessed Valuation Fiscal Year 2005-06 through Fiscal Year 2010-11

<u>Fiscal Year</u>	<u>Locally Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>Annual % Change</u>
2005-06	\$14,567,077,884	\$19,701,339	\$1,128,091,518	\$15,714,870,741	--
2006-07	16,336,534,091	18,882,002	1,078,610,289	17,434,026,382	10.94%
2007-08	17,860,306,168	10,049,230	1,468,847,888	19,339,203,286	10.93
2008-09	18,096,123,123	10,031,305	1,131,717,067	19,237,871,495	(0.52)
2009-10	16,821,305,558	10,220,120	1,397,221,919	18,228,747,597	(5.25)
2010-11	16,251,873,452	9,775,567	1,338,256,165	17,599,905,184	(3.45)
2011-12*	15,745,853,796	n/a	1,227,259,183	16,973,112,979	(3.56)

*Estimates provide by Fresno County Treasurer-Tax Collector's Office.

Source: California Municipal Statistics, Inc. for years 2005-06 through 2010-11; Fresno County Treasurer-Tax Collector's Office estimates for 2011-12.

The assessed valuation of residential property in the District accounts for 68.25% of the total secured value in 2010-11. In the District comes from a larger share of residential uses than from non-residential uses, with 68.25% of assessed valuation attributable to residential uses and 31.58% attributable to non-residential use. Residential parcels accounted for 91.71% of all parcels in the District in 2010-11. The following table summarizes secured assessed valuation and parcels by land use in the District for the 2010-11 fiscal year.

FRESNO UNIFIED SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2010-11

	2010-11 <u>Valuation (1)</u>	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
Non-Residential:				
Agricultural	\$ 3,780,958	0.02%	28	0.03%
Commercial	3,753,336,769	23.09	4,439	4.59
Vacant Commercial	109,557,186	0.67	860	0.89
Industrial	937,679,220	5.77	1,259	1.30
Vacant Industrial	79,126,449	0.49	601	0.62
Recreational	28,593,754	0.18	26	0.03
Government/Social/Institutional	189,859,711	1.17	469	0.49
Vacant Other	28,859,121	0.18	112	0.12
Miscellaneous	<u>1,737,889</u>	<u>0.01</u>	<u>123</u>	<u>0.13</u>
Subtotal Non-Residential	\$5,132,531,057	31.58%	7,917	8.19%
Residential:				
Single Family Residence	\$ 9,162,077,714	56.38%	78,428	81.15%
Mobile Home	41,468,162	0.26	1,497	1.55
Mobile Home Park	61,580,214	0.38	26	0.03
2-4 Residential Units	79,043,869	0.49	740	0.77
5+ Residential Units/Apartments	1,653,465,749	10.17	6,105	6.32
Miscellaneous Residential	35,573,676	0.22	140	0.14
Vacant Residential	<u>59,434,257</u>	<u>0.37</u>	<u>1,691</u>	<u>1.75</u>
Subtotal Residential	\$11,092,643,641	68.25%	88,627	91.71%
Unknown Use	\$26,698,754	0.16%	98	0.10%
Total	\$16,251,873,452	100.00%	96,642	100.00%

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

The following table sets forth the per-parcel assessed valuation of single-family homes in fiscal year 2010-11. The median per parcel assessed valuation is \$96,019 in 2010-11.

**FRESNO UNIFIED SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single-Family Homes
Fiscal Year 2010-11**

Single Family Residential	No. of Parcels	2010-11 Assessed Valuation		Average Assessed Valuation	Median Assessed Valuation	
	78,428	\$9,162,077,714		\$116,822	\$96,019	
2010-11 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	1,354	1.726%	1.726%	\$ 25,408,895	0.277%	0.277%
\$25,000 - \$49,999	10,196	13.000	14.727	397,029,470	4.333	4.611
\$50,000 - \$74,999	13,811	17.610	32.337	865,812,617	9.450	14.061
\$75,000 - \$99,999	14,766	18.827	51.164	1,290,602,677	14.086	28.147
\$100,000 - \$124,999	12,228	15.591	66.755	1,366,392,978	14.914	43.061
\$125,000 - \$149,999	9,149	11.665	78.421	1,251,001,514	13.654	56.715
\$150,000 - \$174,999	5,730	7.306	85.727	926,271,718	10.110	66.825
\$175,000 - \$199,999	3,749	4.780	90.507	698,470,741	7.623	74.448
\$200,000 - \$224,999	2,171	2.768	93.275	458,392,730	5.003	79.451
\$225,000 - \$249,999	1,368	1.744	95.020	323,968,078	3.536	82.987
\$250,000 - \$274,999	930	1.186	96.205	243,072,487	2.653	85.640
\$275,000 - \$299,999	610	0.778	96.983	174,561,255	1.905	87.545
\$300,000 - \$324,999	463	0.590	97.574	144,191,734	1.574	89.119
\$325,000 - \$349,999	344	0.439	98.012	115,546,914	1.261	90.380
\$350,000 - \$374,999	249	0.317	98.330	89,984,944	0.982	91.363
\$375,000 - \$399,999	214	0.273	98.603	82,619,272	0.902	92.264
\$400,000 - \$424,999	148	0.189	98.791	60,892,833	0.665	92.929
\$425,000 - \$449,999	143	0.182	98.974	62,443,905	0.682	93.610
\$450,000 - \$474,999	123	0.157	99.130	56,788,294	0.620	94.230
\$475,000 - \$499,999	82	0.105	99.235	39,959,466	0.436	94.666
\$500,000 and greater	600	0.765	100.000	488,665,192	5.334	100.000
Total	78,428	100.000%		\$9,162,077,714	100.000%	

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

Typical tax rates for fiscal years 2005-06 through 2010-11 for a tax rate area within the City of Fresno portion of the District (Tax Rate Area 5-001) are set forth on the following table.

**FRESNO UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates - 5-001 (City of Fresno)
Fiscal Years 2006-07 through 2010-11
(Dollars Per \$100 of Assessed Valuation)**

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
General Tax Rate	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000
City of Fresno Pension Tax	.032438	.032438	.032438	.032438	.032438	.032438
Fresno Unified School District	.089568	.131626	.110586	.055266	.138864	.138864
Fresno Unified School District Building Loan	.050000	.050000	.050000	.050000	.050000	.050000
State Center Community College District	.005886	.005038	.015618	.000594	.010324	.010050
Total Tax Rate	\$1.145454	\$1.186664	\$1.176204	\$1.105860	\$1.231626	\$1.231352

Source: California Municipal Statistics, Inc.; Fresno County Auditor-Controller/Treasurer-Tax Collector's Office for 2010-11.

Appeals of Assessed Value

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

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

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

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

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

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

Property Tax Collections

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The District's participation in the Teeter Plan makes more certain the availability of sufficient funds for the District's repayment of the Bonds.

So long as the Teeter Plan remains in effect, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors can under certain circumstances terminate the Teeter Plan in part or in its entirety with respect to the entire County and, in addition, the Board of Supervisors can terminate the Teeter Plan with respect to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%. On July 8, 2008, the County adopted Resolution No. 08-322, which determined that, because the "...County of Fresno Supplemental Secured Property Tax Roll is now severely delinquent and, by such delinquency, impairs, impedes and disrupts the County of Fresno's General Fund cash flow...", the County discontinued the use of the Teeter Plan as it applies to the supplemental secured property tax rolls effective July 15, 2008. In the event that the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

Historical secured tax levy collections and delinquencies in the District are summarized in the following table.

**FRESNO UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies**

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30	% Delinquent June 30
2003-04	\$134,379,322.20	\$ 3,091,337.98	2.30%
2004-05	160,904,806.64	7,301,861.75	4.54
2005-06	167,001,231.86	4,444,571.56	2.66
2006-07	195,184,006.20	7,959,056.81	4.08
2007-08	212,055,214.58	11,053,873.87	5.21
2008-09	201,744,552.48	8,708,429.46	4.32
2009-10	202,619,719.24	7,036,950.15	3.47

(1) 1% general fund apportionment.
Source: California Municipal Statistics, Inc.

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 2010-11, which represent 5.43% of the secured tax base.

FRESNO UNIFIED SCHOOL DISTRICT Top Twenty Secured Property Taxpayers Fiscal Year 2010-11

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2010-11 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1. Macerich Fresno LP	Shopping Center	\$129,168,510	0.79%
2. Pelco	Office Building	87,382,704	0.54
3. Gap Inc.	Industrial	65,591,254	0.40
4. Capri Sun Inc.	Industrial	56,965,928	0.35
5. Donahue Schriber Realty Group LP	Shopping Center	54,520,711	0.34
6. ML Street Properties	Office Building	54,298,770	0.33
7. George V. Andros	Office Building	49,275,638	0.30
8. NGP Fresno LLC	Office Building	44,465,094	0.27
9. Government Properties Income Trust LLC	Office Building	39,910,700	0.25
10. Lyons Magnus Inc.	Industrial	38,986,225	0.24
11. Winco Foods LLC	Commercial	31,704,909	0.20
12. Bottling Group LLC	Industrial	30,865,397	0.19
13. JCH Family LP	Apartments	27,173,720	0.17
14. Reflections Fresno LP	Office Building	26,765,831	0.16
15. Wasatch Pool Holdings LLC	Office Building	25,474,300	0.16
16. CNL Retirement CRS2 Fresno CA LP	Rest Home	24,662,113	0.15
17. Leeward Strategic Properties Inc.	Apartments	24,645,193	0.15
18. Phoenix 248 LLC	Apartments	23,866,846	0.15
19. Super Intermediate Co. LLC	Commercial	23,100,000	0.14
20. SC Johnson Home Storage Inc.	Industrial	<u>22,889,351</u>	<u>0.14</u>
		\$881,713,194	5.43%

(1) 2010-11 local secured assessed valuation: \$16,251,873,452
Source: California Municipal Statistics, Inc.

Overlapping Debt Obligations

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

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

FRESNO UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of July 1, 2011

2010-11 Assessed Valuation: \$17,599,905,184
 Redevelopment Incremental Valuation: 1,513,062,240
 Adjusted Assessed Valuation: \$16,086,842,944

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/11</u>
State Center Community College District	27.212%	\$ 30,126,405
Fresno Unified School District	100.000	264,322,122(1)
Fresno Unified School District Lease Tax Obligations	100.000	<u>10,525,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$304,973,527

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Fresno County General Fund Obligations	29.682%	\$ 24,446,095
Fresno County Pension Obligations	29.682	142,165,723
Fresno Unified School District Certificates of Participation	100.000	30,615,000
City of Fresno General Fund and Judgment Obligations	50.700	149,593,515
City of Fresno Pension Obligations	50.700	85,533,435
City of Clovis Certificates of Participation	6.014	<u>925,555</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$433,279,323

COMBINED TOTAL DEBT **\$738,252,850(2)**

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2010-11 Assessed Valuation:

Direct Debt (\$274,847,122)..... 1.56%
 Total Direct and Overlapping Tax and Assessment Debt..... 1.73%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$305,462,122) 1.90%
 Combined Total Debt..... 4.59%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: \$0

Source: California Municipal Statistics, Inc.

BOND INSURANCE

The District has applied for bond insurance to guarantee the scheduled payment of principal of and interest on the Bonds and, if a commitment is issued to insure the Bonds, will determine prior to the sale of the Bonds whether to obtain such insurance.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

Tax Treatment of Original Issue Discount and Premium. 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 a Bond 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.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

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

Other Tax Considerations. Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX D.

CERTAIN LEGAL MATTERS

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 by not later than nine (9) months following the end of the District's fiscal year (which currently would be by March 31 each year based upon the June 30 end of the District's fiscal year), commencing March 31, 2012, with the report for the 2010-11 Fiscal Year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. The Annual Report and any event notices will be filed by the District with the Municipal Securities Rulemaking Board (the "**MSRB**"). The specific nature of the information to be contained in an Annual Report or other notices is set forth below under the caption "APPENDIX E - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the "**Rule**").

The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

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 to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive *ad valorem* property taxes or to collect other revenues or (iii) contests the District's ability to issue and retire the Bonds.

RATING

Moody's Investors Services ("**Moody's**") has assigned a rating of "___" to the Bonds. Such rating reflects only the views of Moody's and an explanation of the significance of such rating may be obtained only from the Moody's. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds were sold to _____ (together, the "**Underwriters**"), pursuant to a bond purchase agreement for the Bonds. The Underwriters have agreed to purchase the Bonds at a price of \$_____. The Underwriters may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriters.

ADDITIONAL INFORMATION

The reference herein to the Bond Resolution and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to said documents. Copies of the documents mentioned under this heading are available from the Underwriters and following delivery of the Bonds will be on file at the offices of the Paying Agent in Los Angeles, California.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District, and the District reserves the right to charge a reasonable fee for reproduction and delivery of any requested copies of such documents.

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

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

FRESNO UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX A

FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE FRESNO UNIFIED SCHOOL DISTRICT AND FRESNO COUNTY

GENERAL DISTRICT INFORMATION

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

General Information

The Fresno City School District was formed as an elementary school district on February 6, 1873, when one teacher taught 15 students in a rented room. Its first school was built in 1875. The Fresno Unified School District became operative as a unified school district on July 1, 1948, following annexation of the Calwa School District to the Fresno City School District, which made the boundaries of the latter coterminous with the boundaries of the Fresno High School District. Since 1947, the District has annexed all or parts of eight other school districts. The District presently serves students from the cities of Clovis and Fresno, California, and some unincorporated areas of Fresno County. The District's boundary is roughly defined by W. Herndon Avenue on the north, N. Clovis Avenue on the east, E. North Avenue on the south, and N. Brawley Avenue and S. Cornelia Avenue on the west. With 100 schools and 71,793 students enrolled in fiscal year 2010-11, the District is the fourth largest public school district in California as measured by average daily attendance.

Administration

Board of Education. The District is governed by a seven-member Board of Education, with each member elected to a four-year term in alternate slates of three and four. Current members of the Board of Education, together with their office and the date their term expires, are listed below:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Michelle Arax Asadoorian	President	December 2014
Janet Ryan	Clerk	December 2012
Valerie Davis	Member	December 2014
Lindsay Cal Johnson	Member	December 2014
Carol Mills, J.D.	Member	December 2012
Larry A. Moore	Member	December 2012
Tony Vang Ed.D.	Member	December 2014

The day-to-day operations are managed by a board-appointed Superintendent of Schools.

Superintendent Michael E. Hanson. Mr. Hanson joined the District as the Deputy Superintendent in May 2005 and was appointed the Superintendent

in July 2005. Prior to joining the District, Mr. Hanson served as Associate Superintendent for Elk Grove Unified School District in Sacramento County; Principal at Laguna Creek High School; Community Principal and Assistant Principal at Liverpool High School; social science teacher and coach at Pine Grove Junior High; and social science teacher and coach at Liverpool High School. Mr. Hanson has a total of 20 years in education. He received his Master of Education with specialization in Teaching and Curriculum in June 1990 from Harvard Graduate School of Education; a Bachelor of Arts in Economics in June 1989 from University of California, Los Angeles; and a Certificate of Advanced Study in Educational Administration in August 1998 from Syracuse University School of Education.

Deputy Superintendent/CFO, Administrative Services: Ruth F. Quinto. Ms. Quinto joined the District as Associate Superintendent/CFO, Administrative Services in July 2005 and was appointed Deputy Superintendent in September 2009. Ms. Quinto had an auditing career in public accounting for eight years, working for a national CPA firm in Southern California. Before joining the District in 2005, Ms. Quinto served as City Controller for the City of Fresno for four years, and as the Assistant Treasurer and City Controller for the City of Moreno Valley, California also for four years. She received a Bachelor of Science Degree from California State University, Fresno in Business Administration with emphasis in Accounting. She obtained her CPA license from the California State Board of Accountancy in 1994.

Recent Enrollment Trends

The following table shows enrollment history (excluding charter schools) for the District for the last seven fiscal years, with projected figures through fiscal year 2012-13.

**FRESNO UNIFIED SCHOOL DISTRICT
Annual Enrollment
Fiscal Years 2004-05 through 2012-13**

<u>School Year</u>	<u>Enrollment</u>
2004-05	79,503
2005-06	77,720
2006-07	75,903
2007-08	73,662
2008-09	73,278
2009-10	72,855
2010-11	72,001
2011-12 ⁽¹⁾	71,356
2012-13 ⁽¹⁾	71,156

⁽¹⁾ Projected.
Source: California Department of Education; Fresno Unified School District.

Employee Relations

The following table identifies number of employees, bargaining units, and the current state of their respective contracts.

FRESNO UNIFIED SCHOOL DISTRICT Summary of Labor Organizations

Labor Organization	Employees	Contract Expiration
Fresno Teachers Association	3,997	6/30/2012
California School Employees Association-125	1,677	6/30/2010 ⁽¹⁾
California School Employee Association-143	314	6/30/2010 ⁽¹⁾
Service Employees International Union	608	6/30/2011 ⁽¹⁾
Trades	137	6/30/2011 ⁽¹⁾
Fresno Area School Teachers Association	530	6/30/2011 ⁽¹⁾

(1) Employees continue to work, in good faith, under terms of expired agreement during renegotiations. The District does not expect the renegotiation of these agreements to materially affect the operating costs of the District.

Source: Fresno Unified School District.

District Retirement Systems

The District participates in the State of California Teacher's Retirement System ("STRS"). This plan covers basically all full-time certificated employees. Active plan members are required to contribute 8.0% of their salary and the District is to contribute an actuarially determined rate, which is 8.25% of payroll for the 2010-11 fiscal year. The District's contribution to STRS for fiscal year 2008-09 was \$27,622,367 (audited), for fiscal year 2009-10 was \$27,068,040 (audited) and for fiscal year 2010-11 was \$24,791,008 (estimated actuals).

The District also participates in the State of California Public Employees' Retirement System ("PERS"). This plan covers all classified personnel who are employed four or more hours per day. Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate, which was 10.707% of payroll for 2010-11 and is 10.707923% of payroll for 2011-12. The District's contribution to PERS for fiscal year 2008-09 was \$8,770,926 (audited), for fiscal year 2009-10 was \$9,083,744 (audited) and for fiscal year 2010-11 was \$8,529,706 (estimated actuals).

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

Insurance

The District maintains insurance or self insurance in such amounts and with such retentions and other terms providing coverage for property damage, fire and theft, general public liability and worker's compensation, as are adequate, customary and comparable with such insurance maintained by similarly situated school districts. For the year ended June 30, 2010, the District was self-insured up to \$2 million for each worker's compensation claim and \$250,000 for each liability and property claim. The District purchased commercial excess insurance for claims above the self-insured amount.

The property and liability claims liability of \$964,000 is based on an actuarial estimate as of May 31, 2009, discounted at 3%. The worker's compensation claims liability of \$32,423,752 is based on an actuarial estimate as of June 30, 2009, discounted at 3%. The health claims liability of \$14,572,707 is based on claims lag data from the District's claims system. Changes in the claims liability for the years 2007-08 through 2009-10 are as follows:

	Property and Liability	Workers' Compensation	Health	Total
Claims liability at 6/30/2008	\$1,580,204	\$35,790,105	\$12,540,594	\$49,910,903
Incurred claims	396,241	2,670,042	113,826,156	116,892,439
Paid claims	(901,578)	(6,036,395)	(112,276,455)	(119,214,428)
Claims liability at 6/30/2009	\$1,074,867	\$32,423,752	\$14,090,295	\$47,588,914
Incurred claims	589,124	6,053,840	122,735,978	129,378,942
Paid claims	(699,991)	(6,053,840)	(122,253,566)	(129,077,397)
Claims liability at 6/30/2010	\$964,000	\$32,423,752	\$14,572,707	\$47,960,459

Source: Fresno Unified School District Audit Report for fiscal year 2009-10.

DISTRICT FINANCIAL INFORMATION

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

Accounting Practices

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

The financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities. The major fund classification is the general fund which accounts for all financial resources not required to be accounted for in another fund. The District's fiscal year begins on July 1 and ends on June 30.

All governmental funds and fiduciary funds are maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, that is, both measurable and available to finance expenditures for the current period. For more information on the District's accounting method, see Note 1, Section B of "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT" attached hereto.

The Governmental Accounting Standards Board ("GASB") Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" was adopted on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on requirements for financial reporting for all governmental agencies in the United States. The District has implemented Statement No. 34 for its audited financial statements.

Financial Statements

The District's Audited Financial Statements for the fiscal year ending fiscal year 2009-10 were prepared by Perry-Smith LLP, Sacramento, California. Audited financial statements for the District for the fiscal year ended June 30, 2010 and prior fiscal years are on file with the District and available for public inspection at the Superintendent's Office. See Appendix B hereto for the 2009-10 Audited Financial Statements. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District.

The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the District.

Past Years' Audits. The following table shows the audited income and expense statements for the District for fiscal years 2005-06 through 2009-10.

FRESNO UNIFIED SCHOOL DISTRICT
Summary of General Fund
Revenues, Expenditures and Changes in Fund Balance
For Fiscal Years 2005-06 through 2009-10 (audited)

	<u>Audited</u> <u>2005-06</u>	<u>Audited</u> <u>2006-07</u>	<u>Audited</u> <u>2007-08</u>	<u>Audited</u> <u>2008-09</u>	<u>Audited</u> <u>2009-10</u>
Revenues					
Revenue limit sources:					
State apportionment	\$337,276,425	\$347,339,374	\$361,013,957	\$355,847,081	\$295,779,615
Local sources	48,369,178	56,671,824	46,017,557	37,882,923	43,147,086
Total revenue limit	385,645,603	404,011,198	407,031,514	393,730,004	338,926,701
Federal revenues	86,172,780	93,468,361	92,983,293	116,362,062	108,219,382
Other state revenues	136,696,542	167,677,958	170,062,927	152,202,450	172,745,852
Other local revenues	16,201,580	31,867,061	23,013,438	16,520,807	14,528,207
Total Revenues	624,716,505	697,024,578	693,091,172	678,815,323	634,420,142
Expenditures					
Certified salaries	295,784,186	308,903,725	345,049,588	331,237,949	329,892,859
Classified salaries	83,880,518	94,463,827	93,956,486	96,106,757	96,240,956
Employee benefits	136,208,644	151,713,723	159,461,466	146,231,350	145,516,888
Supplies and materials	35,376,735	38,565,845	45,266,701	36,968,645	29,888,841
Services, other operating expenses	44,057,856	45,589,999	52,859,383	55,430,330	61,248,255
Capital outlay	6,261,097	1,723,210	3,804,465	7,277,171	2,828,494
Other outgo	3,837,526	4,172,702	2,224,766	2,029,098	1,454,972
Debt service: principal	769,740	299,774	716,974	760,265	827,170
Debt service: interest	25,052	16,930	8,581	--	--
Total Expenditures	606,201,354	645,449,735	703,348,410	676,041,565	667,898,435
Excess of Revs Over/(Under) Expend.	18,515,151	51,574,843	(10,257,238)	2,773,758	(33,478,293)
Other Financing Sources (Uses)					
Operating transfers in	4,453,552	5,208,274	5,835,289	12,495,932	4,988,244
Operating transfers out	(2,943,879)	(6,650,767)	(3,452,063)	(5,888,660)	(3,937,233)
Total Other Financing Source(Uses)	1,509,673	(1,442,493)	2,383,226	6,607,272	1,051,011
Net change in fund balance	20,024,824	50,132,350	(7,874,012)	9,381,030	(32,427,282)
Fund Balance, July 1	22,677,703	42,702,527	92,834,877	84,960,865	94,341,895
Fund Balance, June 30	\$42,702,527	\$92,834,877	\$84,960,865	\$94,341,895	\$61,914,613

Source: Fresno Unified School District Audit Reports for fiscal years 2005-06 through 2009-10.

Budget and Projections. The following table shows the District's budget, as adopted by the Board of Education, for fiscal year 2009-10, compared to audited figures for the general fund for the same fiscal year. The table also shows the fiscal year 2010-11 District general fund budget and 2010-11 estimated actual figures, as well as the fiscal year 2011-12 adopted budget.

FRESNO UNIFIED SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Year 2009-10 and 2010-11 Budgeted;
2009-10 Audited and 2010-11 Estimated Actuals;
and Fiscal Year 2011-12 Adopted Budget

	Adopted Budget 2009-10	Audited 2009-10	Adopted Budget 2010-11	Estimated Actual 2010-11	Adopted Budget 2011-12
Revenues					
Revenue Limit Sources	\$368,117,001	\$338,926,701	\$339,576,218	\$358,102,639	\$312,477,653
Federal revenues	127,197,975	108,219,382	112,561,208	113,336,873	111,651,463
Other state revenues	168,745,171	172,745,852	155,465,955	156,684,997	147,392,674
Other local revenues	19,347,252	14,528,207	18,772,105	16,262,792	12,274,770
Total Revenues	683,407,399	634,420,142	626,375,486	\$644,387,301	\$583,796,560
Expenditures					
Certificated Salaries	324,060,049	329,892,859	310,868,799	\$314,419,372	\$284,185,767
Classified Salaries	95,427,372	96,240,956	91,405,743	91,930,617	86,436,256
Employee Benefits	145,646,397	145,516,888	139,538,267	139,862,346	142,514,266
Books and Supplies	54,266,384	29,888,841	44,541,229	29,850,506	41,171,639
Services and Other Operating Expenditures	57,983,576	61,248,255	58,057,798	55,354,498	54,891,017
Capital Outlay	9,442,191	2,828,494	6,929,988	6,135,836	527,059
Other Outgo	2,567,902	1,454,972	2,567,882	1,538,493	1,409,321
Transfers of Indirect Costs	(2,060,491)	827,170	(1,827,702)	(1,806,772)	(1,722,109)
Total Expenditures	687,333,380	667,898,435	652,082,004	\$637,284,896	\$609,413,216
Excess of Revenues Over/(Under) Expenditures	(3,925,981)	(33,478,293)	(25,706,518)	\$7,102,405	\$(25,616,656)
Other Financing Sources (Uses)					
Operating Transfers In	3,383,409	4,988,244	3,383,409	\$3,383,409	\$3,383,409
Operating Transfers Out	(16,998,132)	(3,937,233)	(11,463,522)	(10,463,522)	(6,473,554)
Total Other Financing Sources (Uses)	(13,614,723)	1,051,011	(8,080,113)	\$(7,080,113)	\$(3,090,145)
Net Change in Fund Balance	(17,540,704)	(32,427,282)	(33,786,631)	\$22,292	\$(28,706,801)
Fund Balance, July 1*	64,213,050	94,341,895	52,783,231*	\$61,911,613	\$61,933,905
Fund Balance, June 30	\$46,672,346	\$61,914,613	\$18,996,600	\$61,933,905	\$33,227,104

*Fund Balance as of July 1, 2010 based on 2009-10 Estimated Actuals as presented in the Adopted Budget.
Source: Fresno Unified School District Audited Financial Reports; the District.

District Response to Reduced State Funding. The fiscal year 2009-10 budget, which was adopted on June 17, 2009, took advantage of federal stimulus money to avoid increasing class sizes, laying off teachers, eliminating transportation or reducing after-school activities -- the kinds of cuts that otherwise would be forced upon the District because of the State's ongoing financial crisis. In addition, the District maintained an unrestricted general reserve at

5.69% of unrestricted expenditures for 2009-10 and is estimating an unrestricted general reserve at 7.33% of unrestricted expenditures for 2010-11 (2nd Interim Report).

The fiscal year 2010-11 budget was adopted on June 16, 2010, and approved by the County Office of Education on August 5, 2010. The 2010-11 budget included approximately \$35 million in budget reductions approved by the Board of Education in March and April of 2010, including (among other cuts):

- Temporary work reduction for all non-teaching positions equating 1.081% salary reduction.
- Increased cuts in central administration from 12% to 14%.
- Increase class size reduction in K-3 to 24:1.
- Increase class size reduction in 9th grade to 26:1.
- Reduce elementary school coaches by 50%.
- Eliminate some 9th grade math classes.
- Lower workers compensation contribution.
- Lower school library block grant by 50%.
- Reduce District contribution to deferred maintenance.

The fiscal year 2011-12 Budget was adopted by the District Board on June 1, 2011. The 2011-12 Budget utilizes flexible funding of categorical funds in order to offset reductions in State funding and includes budget reductions, including but not limited to, cuts in central office departments, reductions in administrative positions and reducing class size reduction programs.

District Budget and Interim Financial Reporting

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

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

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the

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

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

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

District's Budget Approval/Disapproval and Certification History. The District has not received any qualified or negative certifications of its financial reports in the past five years, nor have any of its budgets been disapproved. The District's most recent interim report, the Second Interim for fiscal year 2010-11, received a positive certification.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the Superintendent's Office at 2309 Tulare Street, Fresno, California 93721. The District may impose charges for copying, mailing and handling.

Long-Term Debt

The District has never defaulted on the payment of principal or interest on any of its indebtedness.

General Obligation Bonds. Qualified electors of the District authorized the issuance of general obligation bonds of the District in the maximum aggregate principal amount of \$215,000,000 (the "**1995 GO Bonds**") at an election held on March 7, 1995. The District has issued all of the 1995 GO Bonds pursuant to this authorization, in multiple series.

Qualified electors of the District also authorized the issuance of general obligation bonds of the District in the maximum aggregate principal amount of \$199,000,000 (the "2001 Authorization" and also known as "Measure K") at an election held on March 6, 2001. The County of Fresno issued two series of 2001 GO Bonds on behalf of the District in the aggregate principal amount of \$41,000,000, and the District has issued five series of 2001 GO Bonds in the aggregate principal amount of \$142,202,022.26, all pursuant to this authorization. The District may issue an additional \$55,570,977.74 of 2001 GO Bonds pursuant to this authorization, and, on June 15, 2011 and August 24, 2011, adopted resolutions authorizing the issuance of the last series of 2001 GO Bonds, which are being issued hereunder. The Series G Bonds will be the seventh and final series of bonds issued under the 2001 Authorization.

In addition, on November 2, 2010, District voters authorized the issuance of up to \$280,000,000 principal amount of general obligation bonds (the "2010 Authorization" and also known as "Measure Q"). The Series B Bonds will be the second series of bonds issued under the 2010 Authorization. An initial series of bonds, to be designated as Series A, are expected to be issued by the end of 2011, and have been authorized to be issued by the District Board.

Shown in the following tables is the information regarding the outstanding general obligation bonds of the District (not including the Bonds):

**FRESNO UNIFIED SCHOOL DISTRICT
Outstanding General Obligation Bonds**

Issue	Date Issued	Final Maturity Date	Original Par Amount	Principal Outstanding May 1, 2011
1998 GO Refunding Bonds, Series A	February 1998	August 2020	\$33,235,000	\$18,295,000.00
1998 GO Refunding Bonds, Series B	August 1998	August 2021	26,998,742	12,678,741.80
1999 GO Refunding Bonds, Series C	October 1999	August 2022	40,640,000	25,060,000.00
2002 GO Refunding Bonds, Series A	December 2002	August 2026	65,485,000	55,685,000.00
2004 GO Refunding Bonds, Series A	May 2004	August 2020	10,645,000	6,430,000.00
2004 GO Refunding Bonds, Series B	November 2004	August 2027	58,040,000	45,105,000.00
Election 2001, GO Series D	September 2005	August 2030	31,000,000	16,020,000.00
Election 2001, GO Series E	July 2006	August 2030	35,000,000	30,505,000.00
2007 Refunding GO Bonds	June 2007	August 2027	10,155,000	8,415,000.00
Election 2001, GO Series F	December 2009	August 2025	29,429,022	27,082,624.26
2010 Refunding GO Bonds	November 2010	August 2022	12,040,000	11,775,000.00

Certificates of Participation. Shown in the following table is information regarding the outstanding certificates of participation of the District (the "COPs").

**FRESNO UNIFIED SCHOOL DISTRICT
Outstanding Certificates of Participation**

Issue	Date Issued	Final Maturity Date	Original Amount	Amount Outstanding August 2, 2011
1998 Refunding COP, Series A	March 1998	May 2012	\$51,930,000	\$5,035,000
2001 Refunding COP	June 2001	May 2012	10,655,000	2,070,000
2003 Refunding COP	July 2003	May 2012	10,380,000	1,420,000

The District's payment obligations for the outstanding COPs are as follows:

Fiscal Year Ended June 30	1998 Refunding COP, Series A	2001 Refunding COP	2003 Refunding COP	TOTAL
2011*	\$ 119,581	\$ 45,540	\$ 24,850	\$189,971
2012	<u>5,154,581</u>	<u>2,115,540</u>	<u>1,444,850</u>	<u>8,714,971</u>
TOTAL	\$5,274,162	\$2,161,080	\$1,469,700	\$8,904,942

* April 15, 2011 payment has been made.

Other Long Term Debt of the District.

Qualified Zone Academy Bonds – In 1999 and 2000, the District issued Qualified Zone Academy Bonds (QZAB) under an agreement with the Clovis Unified School District to finance the rehabilitation of the Center for Advanced Research and Technology (“**CART**”) totaling \$12,000,000 and \$7,200,000, respectively. The bonds do not bear interest and in lieu of periodic interest payments to purchasers of the bonds, the bonds qualify for an annual federal income tax credit to the purchasers.

Lease payments are made by both districts for an equal share of the funds necessary to repay the principal of the bonds. The District's share of the principal amounts to \$6,000,000 and \$3,600,000 with annual required lease payments totaling \$307,633 and \$170,425, respectively. The lease payments are to be placed in a guaranteed investment contract paying interest at 4.785% and 6.730%. Principal payment and earned interest are projected to be sufficient to retire the bonds' principal balance by October 1, 2012 and October 31, 2013.

Golden West Schools Financing Authority – 1998 Revenue Bonds, Series A issued in August 1998. This issue included \$24,095,000 of current interest bonds (“**CIBs**”) and \$2,903,742 of capital appreciation bonds (“**CABs**”) for the Fresno Unified School District General Obligation Bond Refunding. The final maturity for the CIBs is in August 2016 and the final maturity for the CABs is August 2021. The outstanding par amount of the two issues combined as of August 1, 2011 is \$_____. The District's 1998 GO Refunding Bonds, Series B serves as the source of repayment for this financing.

Central Valley Support Services Joint Powers Agency – 2009 General Obligation Revenue Bonds (Fresno Unified School District Qualified School Construction Bonds) issued in December 2009. This issue included \$41,398,000 of qualified school construction bonds (“**2009 QSCBs**”), which are secured by debt service payments on the District's Series F General Obligation Bonds issued pursuant to the 2001 Authorization (set forth in the table above) together with federal subsidy payments payable with respect to all or a portion of interest due on the 2009 QSCBs. The final maturity is in December 2025 and the outstanding par amount as of August 1, 2011 is \$_____.

Capital Leases. The District has entered into various capital lease arrangements with a zero percent interest rate for child development centers on District campuses. The District's lease payment schedule on these capital leases are summarized below:

Year Ending June 30	Lease Payment
2011	\$44,953
<u>2012</u>	<u>44,953</u>
Total	\$89,906

Other Post-Employment Benefit Obligation

Previous Agreements. Under certain previous agreements with employee groups (the "Previous Agreements"), the District was obligated to provide lifetime health care benefits to retired employees who have worked for the District at least 16 years and retire at age 57-1/2 or later. Such coverage includes benefits for dependents of eligible retirees. The Previous Agreements require the District to pay the cost of such benefits, and such costs are not capped.

Amendments to the Previous Agreements. The District and the FTA approved an agreement to revise the health benefits for teachers and retirees provided under the Previous Agreements. Under the new agreement, the District's overall contributions for employee health benefits will be capped at the fiscal year 2004-05 level, plus \$1 million, which will increase starting in fiscal year 2006-07 by the net annual cost of living adjustment ("COLA"). Any increases in the cost of health benefits above this cap will be the responsibility of the covered employees and retirees. The new agreement also requires increased contributions by the covered employees and retirees. The agreement also provides that for employees hired after July 1, 2005, health care benefits will be provided for such employees only until the age of Medicare eligibility, which is currently age 65, and further requires that an employee have a minimum of 25 service years with the District and retire at age 60 or later, thereby limiting the eligibility for post-employment benefits to a maximum of five years.

Actuarial Study. In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits ("OPEB"). GASB 45 generally requires that local governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most local governments will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

The following table shows the components of the District's OPEB cost for fiscal year 2009-10, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

FRESNO UNIFIED SCHOOL DISTRICT Other Post Employment Benefit Cost - 2009-10

Annual required contribution	\$ 79,177,540
Interest on net OPEB obligation	3,663,928
Adjustment to annual required contribution	<u>(4,766,876)</u>
Annual OPEB cost (expense)	78,074,592
Contributions made	<u>(34,996,847)</u>
Increase in net OPEB obligation	43,077,745
Net OPEB obligation, beginning of year	<u>73,296,882</u>
Net OPEB obligation, end of year	\$116,374,627

Year Ended June 30	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2008	\$ 66,913,974	43.8%	\$37,569,446
2009	\$ 67,234,427	46.9%	\$73,296,882
2010	\$ 78,074,592	44.8%	\$116,374,627

Source: Fresno Unified School District Audit Report for fiscal year 2009-10.

For a description of the actuarial methods and assumptions used, see "APPENDIX B – Audited Financial Statements of the District for Fiscal Year Ended June 30, 2010 - Note 9 – Other Post Employment Benefits".

State Funding of Education and Revenue Limitations

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

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

A schedule of the District's A.D.A. and revenue limit is set forth below.

FRESNO UNIFIED SCHOOL DISTRICT
Average Daily Attendance
Fiscal Years 2004-05 through 2012-13 (projected)

Fiscal Year	P-2 ADA	Base Revenue Limit per ADA	Funded Base Revenue Limit per A.D.A
2005	73,298	\$4,977.35	\$4,977.35
2006	71,422	5,188.35	5,188.35
2007	69,976	5,556.90	5,556.90
2008	68,046	5,809.12	5,809.12
2009	68,046	6,138.12	5,656.65
2010	67,769	6,339.12	5,224.56
2011 ⁽¹⁾	67,109	6,374.12	5,229.14
2012 ⁽²⁾	66,609	6,518.12	5,230.53
2013 ⁽²⁾	66,209	6,720.18	5,392.68

(1) Estimated.

(2) Projected.

Source: Fresno Unified School District.

California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues may affect appropriations made by the Legislature to school districts.

Revenue Sources

The District categorizes its general fund revenues into four sources:

FRESNO UNIFIED SCHOOL DISTRICT District Revenue Sources

Revenue Source	Percentage of Total District General Fund Revenues			
	2007-08	2008-09	2009-10	2010-11
Revenue limit sources	58.7%	57.8%	53.4%	55.3%
Federal revenues	13.4	14.9	17.1	17.9
Other State revenues	24.5	25.0	27.2	24.0
Other local revenues	3.3	2.3	2.3	2.0

**Projected.*

Source: Fresno Unified School District.

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

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

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

Federal Revenues. The federal government provides funding for several District programs, including Maintenance and Operations, special education programs, programs under No Child Left Behind, the Individuals With Disabilities Education Act, and specialized programs such as Safe and Drug Free Schools.

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

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Class Size Reduction Program, home-to-school transportation, Economic Impact Aid, School and Quality Education Investment Act revenues.

The District receives State aid from the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of

increase in Lottery revenues over 1997-98 levels must be restricted to use on instructional materials. Lottery revenues generally comprise approximately 2% of general fund revenues.

Other Local Revenues. The District receives additional local revenues from sources such as interest earnings, leases and rentals, transportation services and interagency services.

Investment of District Funds

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

Effect of State Budget on Revenues

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

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

State Funding of Education and Recent State Budgets

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

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

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State.

Neither the District, the County, nor the Underwriter is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

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

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

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

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

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

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

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

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

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

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

Fiscal stress and cash pressures currently facing the State may continue or become more difficult, and continuing declines in State tax receipts or other results of the current economic recession may materially adversely affect the financial condition of the State. The Department of Finance has projected that multi-billion dollar budget gaps will occur annually for several years in the future.

2010-11 State Budget.

October 8, 2010 – 2010-11 Budget Adopted. The Legislature passed the \$87.5 billion 2010-11 Budget on the morning of October 8, 2010 and the Governor signed it that night, exercising his line-item veto authority to reduce spending by \$963 million in order to raise the reserve level from \$375 million to \$1.3 billion. Total expenditure reductions were \$8.4 billion. The 2010-11 Budget assumed federal funds of \$5.4 billion and other solutions of almost \$5.5 billion. These steps were taken to address a \$20 billion projected deficit in fiscal year 2010-11.

November 10, 2010 LAO Report. The LAO forecast in its November 10, 2010 report, that the State's General Fund revenues and expenditures showed a budget problem of \$25.4 billion, consisting of a \$6 billion projected deficit for fiscal year 2010-11 and a \$19 billion gap between projected revenues and spending for fiscal year 2011-12. The LAO projected that the State would continue to face annual budget problems of approximately \$20 billion each year through fiscal year 2015-16, and recommended that the Legislature initiate a multi-year approach to solving the State's recurring structural budget deficit, addressing permanent revenue and

expenditure actions each year, together with temporary budget solutions, until the structural deficit is eliminated.

November 11, 2010 – Governor Calls Special Session. Governor Schwarzenegger called a special legislative session to commence on December 6, 2010, when new lawmakers were sworn into office in order to address the \$6 billion projected deficit for fiscal year 2010-11. In November, State voters approved a constitutional initiative to lower the legislative threshold to pass the State budget from two-thirds to a simple majority, however, a two-thirds vote is still required to raise taxes and fees.

2011-12 State Budget. On January 10, 2011, Governor Jerry Brown announced a budget proposal to bridge the State's estimated \$28 billion budget deficit. The proposed budget delivered cuts across a wide spectrum of programs, calling for \$84.6 billion in general fund spending in fiscal 2012, down from about \$92.2 billion in 2010-11. At the same time, the Governor's budget plan proposed asking voters to approve a five-year extension of temporary income, sales and vehicle taxes before they expire at the end of June 2011 in a proposed special statewide election to be held in June, 2011. Governor Brown's proposed budget included cuts to welfare programs, health care programs for the poor and higher education. In addition, the proposal included the elimination of California redevelopment agencies and re-directing property tax revenues from redevelopment to cities, counties and schools. Cuts to K-12 education were not included, unless the tax extensions are not approved at a special June election.

Following the introduction of the 2011-12 Budget, the Legislature passed and the Governor signed budget bills which included \$1.7 billion in reductions to services and coverage under Medi-Cal, \$1 billion in reductions to CalWORKs (a low income financial and employment assistance program), \$1.1 billion in cuts to higher education, \$1 billion in cuts to First 5 (an early childhood program), \$862 million in cuts to mental health programs, and \$192 million in cuts to Supplemental Security Income and State Supplementary Payments for low-income disabled and elderly residents. The Governor was unable to obtain the votes of the California Legislature needed to call a special statewide election in June for voters to consider the tax extensions included in the Governor's proposed 2011-12 Budget. With respect to K-12 school districts, the legislation included increasing the revenue limit deficit factor for school districts to 19.608%, added certain flexibility options regarding deferred maintenance contributions, use of surplus proceeds from the sale of real property, general fund reserve requirements, categorical program funding expenditures, reduction of instructional minutes, Class Size Reduction Program penalties, and the implementation of new State instructional materials, established a zero percent cost of living adjustment for K-12 programmatic funding for fiscal year 2011-12, and authorized three new cross-fiscal year deferrals of State apportionments.

On May 16, 2011, the Governor introduced the May Revise to the 2011-12 Budget to the Legislature (the "**May Revise**"). The May Revise assumed \$6.6 billion more in tax revenue through June 2012, reducing the possible deficit to \$9.6 billion and providing education funding at a level at least equal to 2010-11 funding, continued to propose the extension of sales and vehicle taxes for five years, but shortened the income tax extension to four years, maintained the plan to eliminate redevelopment agencies, tightened rules for job-creation tax credits in enterprise zones, eliminated 43 boards and commissions and sold numerous "nonessential" properties.

LAO Report. The LAO's May 19, 2011 report on the Governor's May Revision concluded that the Governor's budget estimates in the May Revision were based on reasonable assumptions. However, the LAO noted, school districts, counties and the State face uncertainty

as to funding levels in the fiscal year because the Governor's revenue assumptions relied on the extension of temporary increases in personal income tax, sales and use tax and vehicle license fees to be approved by the voters. The LAO deemed the Governor's proposals worthy of legislative consideration, noting that in past budgets the State was unable to make significant inroads into its underlying operating shortfall due to a reliance on one-time and short-term solutions; whereas, this year, an estimated \$6.6 billion improvement in state tax collections, and \$13 billion in budgetary solutions already adopted by the Legislature, put the State in the position to dramatically reduce its budget problem in coming years.

June 28, 2011 Legislative Action and 2011-12 Budget Adoption. Following the veto by the Governor of a 2011-12 Budget proposed by the Legislature on June 15, 2011, the Legislature passed a second \$86 billion general fund State Budget which closes the State's remaining \$9.6 billion budget deficit. The 2011-12 Budget was signed by Governor Brown on June 29, 2011.

The Department of Finance released its summary of the 2011-12 Budget (the "**Department of Finance Report**"), from which the following information is extracted.

The 2011-12 Budget seeks to close the \$26.6 billion deficit identified in the Governor's May Revise through a combination of measures totaling \$27.2 billion. Specifically, the 2011-12 Budget includes \$15 billion of expenditure reductions, \$900 million of targeted revenue increases, \$2.9 billion of other measures and a positive adjustment to the State's revenue outlook totaling \$8.3 billion.

The 2011-12 Budget reports that the State economy has continued to improve, with tax collections approximately \$1.2 billion above the amounts projected by the May Revise. As a result, the 2011-12 Budget projects an additional \$4 billion in revenues during fiscal year 2011-12. Although the 2011-12 Budget does not include any of the Governor's proposed tax extensions, the administration states that it plans to seek voter approval of a ballot measure, by November of 2012, which would protect public safety realignment and supplement the State's revenues. With the implementation of all measures, the 2011-12 Budget assumes, for fiscal year 2010-11, year-end revenues of \$94.8 billion and expenditures of \$91.5 billion. The 2011-12 Budget also assumes the State ended fiscal year 2010-11 with a budget deficit of \$2 billion. For fiscal year 2011-12, the 2011-12 Budget projects total revenues of \$88.5 billion and authorizes total expenditures of \$85.9 billion, and a fiscal year 2011-12 end of year \$543 million surplus.

The 2011-12 Budget includes a series of "trigger" reductions that are authorized to be implemented in the event the State's revenues are less than forecasted. The first series of reductions, totaling approximately \$600 million, would be implemented by January of 2012 if State revenues fall short of projections by more than \$1 billion. If, by January of 2012, revenues are projected to fall short by more than \$2 billion, a second series of reductions totaling approximately \$1.9 billion would be implemented, of which \$1.8 billion relates to K-12 revenue limit funding and home-to-school transportation. As part of the second series of such trigger reductions, the 2011-12 Budget authorizes a reduction of \$1.5 billion to school district revenue limit funding, and a corresponding reduction to the State-mandated length of school year by seven days. In the event this reduction is implemented, school districts would be permitted to collectively bargain for a shorter school year or accommodate the revenue limit reduction through other means. Total Proposition 98 funding is decreased in fiscal year 2011-12 to \$48.7 billion, including \$32.8 billion from the State general fund, which reflects a decrease from the prior year of \$1.1 billion. This decrease is a net figure reflective of all budgetary actions taken with respect to the State's share of Proposition 98 funding, including increases in baseline

revenues, redirection of certain sales tax revenues related to the realignment of public safety programs, and the rebenching of the Proposition 98 minimum funding guarantee (discussed below).

The 2011-12 Budget rebenches the Proposition 98 minimum funding guarantee to account for the following: (i) an increase of \$221.8 million, as part of the realignment of public programs from the State to local governments, to fund the delivery of certain mental health services by school districts, (ii) an increase of \$578.1 million to backfill general fund revenues lost from the suspension of sales and excise taxes on motor vehicle fuels, and (iii) a decrease of \$1.1 billion to reflect the exclusion of most child care programs from Proposition 98. The minimum funding guarantee is also rebenched to account for a \$1.7 billion decrease in State general fund revenues as a result of ABx1 27, a companion bill to the 2011-12 Budget. ABx1 27 authorizes redevelopment agencies to continue operations provided their establishing cities or counties agree to make a specified payment to school districts and county offices of education, which totals \$1.7 billion statewide. Pursuant to ABx1 26 (another companion bill to the 2011-12 Budget), redevelopment agencies whose establishing cities or counties elect not to make such payments will be required to shut down, and any net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts.

The 2011-12 Budget also makes a significant, one-time modification to State budgeting requirements for school districts. School districts will be required to project the same level of revenue per student in 2011-12 as in 2010-11, as well as maintain staffing and program levels commensurate with such level of funding. A related provision of the 2011-12 Budget provides that school districts will only be required to budget for the current year, and will not be required to demonstrate that they can meet their financial obligations for the subsequent two fiscal years (2012-13 and 2013-14).

The 2011-12 Budget also implements other significant measures with respect to K-12 education funding, as follows:

- *Apportionment Deferral.* An additional deferral of \$1.2 billion in education spending in order to maintain programmatic funding at the fiscal year 2010-11 level.
- *Part-Day Preschool.* A decrease of \$62.3 million to reflect a reduction of income eligibility levels to 70% of the State Median Income, and across-the-board reductions to provider contracts.
- *Charter Schools.* \$11 million in supplemental categorical funding to charter schools that begin operations between 2008-09 and 2011-12.
- *Clean Technology and Renewable Energy Training.* \$3.2 million of increased funding for clean technology and renewable energy job training, career technical education and the Dropout Prevention Program, each of which is designed to provide at-risk high school students with occupational training in areas such as conservation, renewable energy and pollution reduction.
- *Child Care and Development.* A decrease of \$180.4 million to child care and development programs, including reductions to license-exempt provider rates, reductions of income eligibility levels to 70% of the State Median Income, and across-the-board reductions to provider contracts.

- **CALTIDES.** A decrease of \$2.1 million to reflect elimination of funding for the California Longitudinal Teacher Integrated Data System (CALTIDES). Although the CALTIDES program was intended to provide a central State information depository regarding the teaching workforce, the 2011-12 Budget indicates the program is not a critical need.
- **Office of the Secretary of Education.** The 2011-12 Budget projects a budget savings of \$1.6 million through the elimination of the Office of the Secretary of Education.

Additional information regarding the 2011-12 Budget is available from the Department of Finance's website: www.dof.ca.gov. However, such information is not incorporated herein by any reference.

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

The State has not entered into any contractual commitment with the District, the County, or the Owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the State sources of information listed above are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State Budget information set forth or referred to in this Official Statement or incorporated herein.

2010 Legal Challenge to State Funding of Education

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "- State Funding of Education and Recent State Budgets" above.

On May 20, 2010, a plaintiff class of numerous current California public school students and several school districts, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In *Maya Robles-Wong, et al. v. State of California*, plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school finance. On July 16, 2010, the California Teachers' Association filed a Complaint in Intervention, making the same allegations and seeking the same declaratory and injunctive relief. On January 14, 2011, the court dismissed certain of the causes of action, including causes of action that alleged a constitutional right to a particular level of education funding and violations of equal protection of the law, based on certain State constitutional provisions. As a result, the Court ruled that the plaintiffs and intervenor could file amended complaints, consistent with its order, by March 16, 2011 (parties stipulated to such date). The case is still pending. The District cannot predict the outcome of the *Robles-Wong* litigation, however, if successful, the lawsuit could result in changes in how school finance is implemented in the State of California.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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 FOR THE BONDS" in the Official Statement.) The provisions of law discussed below are included in this section to describe the potential effect of Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes. It should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with all applicable laws.

Article XIII A of the California Constitution

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

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

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

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

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are

allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

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

Unitary Property

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

Constitutional Appropriations Limitation

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

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

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all

qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

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

Article XIII C and Article XIII D of the California Constitution

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

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

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIII C 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 XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

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

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

Proposition 62

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

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Fresno County Transportation Authority v. Gardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The District has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "**Accountability Act**"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to

such districts in 1986-87, and (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

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

Proposition 111

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

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

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

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

Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were

necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

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

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

Proposition 1A and Proposition 22

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

Proposition 22, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed

taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes.

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

State Cash Management Legislation

Since 2002, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice has included deferring certain apportionments from one fiscal year to the next. These "cross-year" deferrals have been codified and are expected to be on-going. Legislation enacted with respect to fiscal year 2011-12 provides for additional inter-fiscal year deferrals.

On March 24, 2011, the Governor signed into law Senate Bill 82 ("**SB 82**"), which extended into fiscal year 2011-12 provisions of existing law designed to effectively manage the State's cash resources. SB 82 authorizes the deferral of State apportionments during fiscal year 2011-12, as follows: (i) \$700 million from July 2011 to September 2011, (ii) \$700 million from July 2011 to January 2012, (iii) \$1.4 billion from August 2011 to January 2012, (iv) \$2.4 billion from October 2011 to January 2012, and (v) \$1.4 billion from March 2012 to April 2012. Collectively, these deferrals are referred to as the "**Cash Management Deferrals.**" The State Department of Education was required to certify to school districts no later than April 15, 2011 which of the 2011-12 Cash Management Deferrals will be implemented, and in what amounts. On April 15, 2011, the Department of Education released a projected schedule of State apportionments showing that all of the 2011-12 Cash Management Deferrals would be implemented. SB 82 provided for an exemption to the Cash Management Deferrals for a school district that would be unable to meet its expenditure obligations if its State apportionments are delayed. In the event any of the Cash Management Deferrals are implemented, SB 82 requires that the State Controller, State Treasurer and State Director of Finance review, as necessary but no less than monthly, the actual State general fund cash receipts and disbursements in comparison to the Governor's most recent revenue and expenditure projections. If the Controller, Treasurer and Director of Finance determine that sufficient cash is available to pay the State apportionments being deferred while maintaining a prudent cash reserve, such State apportionments are required to be paid as soon as feasible.

Application of Constitutional and Statutory Provisions; Recent Lawsuit

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL INFORMATION - State Funding of Education and Recent State Budgets." In addition, a lawsuit is pending against the State with respect to the existing system of public school finance. See "DISTRICT FINANCIAL INFORMATION - 2010 Legal Challenge to State Funding of Education."

Future Initiatives

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

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2010**

APPENDIX C

GENERAL INFORMATION ABOUT THE CITY OF FRESNO AND FRESNO COUNTY

The following information concerning the County and the City is included only for the purpose of supplying general information regarding the area of the District. The Bonds are not a debt of the County, listed cities, the State or any of its political subdivisions, and neither the County, the City, the State nor any of its political subdivisions is liable therefor.

City of Fresno

The District is located in and serves the cities of Fresno, California (the "City") and Clovis, California, and also serves some unincorporated areas of Fresno County. These communities are located in the heart of California's San Joaquin Valley, which is predominantly an agriculturally based economy, but is promoting business growth through the expansion of industrial development and through partnerships with Fresno County, the I-5 Business Development Corridor, the Economic Development Corporation serving Fresno County and the Regional Jobs Initiative.

Population

The most recent estimate of the County's population at January 1, 2011 was 940,120 according to the State Department of Finance. The City of Fresno, with an estimated 2010 population of 502,303, is the largest city in the County. The table below shows population estimates for the cities in the County for the last five years.

FRESNO COUNTY Population Estimates Calendar Years 2007 through 2011 as of January 1

	2007	2008	2009	2010	2011
Clovis	91,382	93,759	94,993	95,480	97,218
Coalinga	17,978	19,025	19,093	18,225	17,996
Firebaugh	6,644	6,793	6,799	7,488	7,619
Fowler	5,255	5,557	5,664	5,557	5,719
Fresno	477,813	484,804	495,231	494,182	500,121
Huron	7,441	7,530	7,824	6,757	6,790
Kerman	13,179	13,520	14,044	13,533	13,751
Kingsburg	11,156	11,223	11,413	11,384	11,509
Mendota	9,359	9,756	9,859	11,019	11,081
Orange Cove	10,470	10,740	10,916	9,074	9,198
Parlier	12,985	13,285	13,536	14,501	14,656
Reedley	24,737	25,510	25,687	24,094	24,474
Sanger	24,734	25,323	25,379	24,264	24,484
San Joaquin	3,841	4,048	4,052	4,012	4,025
Selma	23,029	23,211	23,267	23,229	23,395
Balance Of County	172,173	172,971	173,249	166,959	168,184
County Total	912,176	927,055	941,006	929,758	940,220

Source: State Department of Finance, Demographic Research.

Employment and Industry

The unemployment rate in the Fresno County was 18.4% in March 2011, up from a revised 18.1% in February 2011, and unchanged from the year-ago estimate of 18.4%. This compares with an unadjusted unemployment rate of 12.3% for California and 9.2% for the nation during the same period.

The table below provides information about employment by industry type for Fresno county for calendar years 2006 through 2010.

FRESNO COUNTY Civilian Labor Force, Employment and Unemployment, Unemployment by Industry (Annual Averages)

	2006	2007	2008	2009	2010
Civilian Labor Force ⁽¹⁾	411,400	419,300	429,800	434,400	438,400
Employment	378,500	383,600	385,000	369,100	364,800
Unemployment	33,000	35,700	44,900	65,300	73,600
Unemployment Rate	8.0%	8.5%	10.4%	15.0%	16.8%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	46,500	48,100	48,900	45,100	47,100
Mining and Logging	200	100	100	200	200
Construction	23,200	21,100	17,900	13,700	11,900
Manufacturing	27,500	28,100	27,100	25,100	24,900
Wholesale Trade	13,200	13,500	12,900	11,900	11,400
Retail Trade	35,200	36,300	35,400	33,100	32,800
Trans., Warehousing, Utilities	4,200	4,200	4,700	4,100	3,600
Information	10,900	10,800	10,300	9,500	9,300
Financial and Insurance	4,600	4,500	4,500	4,300	4,000
Real Estate, Rental & Leasing	29,500	30,000	30,700	28,200	26,800
Professional and Business Services	37,500	38,900	40,100	40,200	40,200
Educational and Health Services	28,100	28,200	28,000	26,600	26,700
Leisure and Hospitality	10,900	11,000	10,600	10,200	10,100
Other Services	9,800	9,600	9,800	9,800	10,700
Federal Government	10,100	10,600	10,800	10,900	10,500
State Government	47,700	49,000	49,400	48,000	46,100
Local Government	46,500	48,100	48,900	45,100	47,100
Total All Industries ⁽³⁾	349,100	354,500	351,900	331,500	326,900

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

The following table shows the top private sector employers in the County in 2010.

Major Employers

The largest employers in the County as of January 2010 are as follows:

LARGEST EMPLOYERS County of Fresno

Employer Name	Industry	Employment
County of Fresno	County government	8,654
Fresno Unified School District	Education	8,400
Community Medical Services	Healthcare	6,200
Clovis Unified School District	Education	5,000
City of Fresno	City government	2,600
California Department of Motor Vehicles	State government	2,533
United States Postal Service	State government	2,421
Kaiser Permanente Medical	Healthcare	2,000
California Department of Corrections	State government	2,000
Hall Management Services	Property Management	2,000

Source: County of Fresno, 2010 Comprehensive Annual Financial Report.

Construction Activity

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

CITY OF FRESNO Total Building Permit Valuations (Valuations in Thousands)

	2006	2007	2008	2009	2010
Permit Valuation					
New Single-family	\$314,347.8	\$313,088.0	\$224,416.3	\$182,542.2	\$180,821.8
New Multi-family	12,993.5	65,647.6	32,609.0	2,964.3	36,101.8
Res. Alterations/Additions	<u>37,113.1</u>	<u>32,316.8</u>	<u>24,982.4</u>	<u>17,051.8</u>	<u>18,516.2</u>
Total Residential	\$364,454.4	\$411,052.5	\$282,007.7	\$202,558.3	235,439.7
New Commercial	\$116,700.0	\$99,555.7	\$101,473.1	\$47,344.6	\$24,814.8
New Industrial	15,287.3	40,990.0	10,256.2	11,853.4	1,147.3
New Other	20,113.3	15,487.8	19,547.6	5,959.3	10,516.3
Com. Alterations/Additions	<u>74,335.7</u>	<u>67,585.5</u>	<u>71,541.8</u>	<u>53,913.8</u>	<u>65,816.5</u>
Total Nonresidential	\$226,436.3	\$223,619.0	\$202,818.7	\$119,071.1	102,294.9
New Dwelling Units					
Single Family	1,891	2,005	1,490	1,311	983
Multiple Family	<u>183</u>	<u>855</u>	<u>289</u>	<u>42</u>	<u>271</u>
TOTAL	2,074	2,860	1,779	1,353	1,254

Source: Construction Industry Research Board, Building Permit Summary.

FRESNO COUNTY
Total Building Permit Valuations
(Valuations in Thousands)

	2006	2007	2008	2009	2010
Permit Valuation					
New Single-family	\$718,839.1	\$632,947.2	\$397,573.2	\$377,345.3	\$376,465.4
New Multi-family	39,470.0	105,117.2	34,864.3	13,704.8	49,888.5
Res. Alterations/Additions	<u>73,394.1</u>	<u>63,360.3</u>	<u>48,502.3</u>	<u>35,691.7</u>	<u>34,767.0</u>
Total Residential	\$831,703.1	\$801,424.6	\$480,939.8	\$426,741.8	461,120.9
New Commercial	\$1,491.0	\$146,245.3	\$173,074.5	\$81,861.9	\$56,337.2
New Industrial	0.0	66,957.6	21,391.7	23,538.6	1,147.3
New Other	7,557.9	49,882.5	56,471.6	24,262.4	35,519.4
Com. Alterations/Additions	<u>1,895.3</u>	<u>97,088.3</u>	<u>103,934.3</u>	<u>82,292.2</u>	<u>89,309.0</u>
Total Nonresidential	\$10,944.2	\$360,173.6	\$354,872.1	\$211,955.1	182,352.9
<u>New Dwelling Units</u>					
Single Family	4,101	3,736	2,352	2,258	2,027
Multiple Family	<u>479</u>	<u>1,243</u>	<u>317</u>	<u>158</u>	<u>422</u>
TOTAL	4,580	4,979	2,669	2,416	2,449

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

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

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

FRESNO COUNTY Effective Buying Income Median Household 2006 through 2010

	2006	2007	2008	2009	2010
City of Fresno	\$33,994	\$35,133	\$36,353	\$35,840	\$34,068
Fresno County	36,593	37,897	39,348	38,851	36,456
California	46,275	48,203	48,952	49,736	47,177
United States	41,255	41,792	42,303	43,252	41,368

Source: The Nielsen Company (US), Inc.

Commercial Activity

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2009 is not comparable to that of prior years. A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2009 in the County were reported to be \$9,966,448,000, a 16.5% decrease over the total taxable sales of \$11,729,171,000 reported during calendar year 2008. Figures are not yet available for 2010.

FRESNO COUNTY Taxable Transactions Number of Permits and Valuation of Taxable Transactions (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2005	9,461	\$8,556,886	20,201	\$11,888,436
2006	9,425	9,058,802	20,266	12,560,649
2007	9,583	8,776,111	20,415	12,308,257
2008	9,848	7,872,783	20,273	11,729,171
2009 ⁽¹⁾	12,341	6,735,619	19,004	9,966,448

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

CITY OF FRESNO Taxable Transactions Number of Permits and Valuation of Taxable Transactions (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2005	5,534	\$5,411,282	11,006	\$6,916,252
2006	5,491	5,643,638	10,953	7,254,468
2007	5,589	5,495,981	11,163	7,122,176
2008	5,720	4,950,427	11,232	6,591,134
2009 ⁽¹⁾	6,646	4,343,089	10,546	5,667,810

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

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Board of Trustees
Fresno Unified School District
2309 Tulare Street
Fresno, California 93721

OPINION: \$ _____ Fresno Unified School District
(Fresno County, California) General Obligation Bonds,
Election of 2010, Series A

Members of the Board of Trustees:

We have acted as bond counsel to the Fresno Unified School District (the "District") in connection with the issuance by the District of its Fresno Unified School District (Fresno County, California) General Obligation Bonds, Election of 2010, Series E in the aggregate principal amount of \$ _____ (the "Bonds"), under Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 of said Code (the "Bond Law") and under a resolution of the Board of Trustees of the District adopted on June 15, 2011 (the "Bond Resolution") and a Paying Agent Agreement dated as of August 1, 2011 (the "Paying Agent Agreement"), between the District and U.S. Bank National Association, as paying agent. We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

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

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is duly established and validly existing as a unified school district with the power to issue the Bonds and to perform its obligations under the Bond Resolution.

2. The Bond Resolution has been duly adopted by the Board of Trustees of the District and the Bond Resolution and the Paying Agent Agreement constitute valid and binding obligations of the District enforceable against the District in accordance with their respective terms.

3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the County of Fresno is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the documents relating to the Bonds to comply with each of such requirements; and the District has full legal authority to make and comply with such covenants. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

The rights of the owners of the Bonds and the enforceability of the Bonds, the Bond Resolution and the Paying Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Fresno Unified School District (the "District") in connection with the issuance of \$_____ aggregate principal amount of Fresno Unified School District School District (Fresno County, California) General Obligation Bonds, Election of 2010, Series A (the "Bonds"). The Bonds are being issued under a resolution adopted by the Board of Education of the District on June 15, 2011 (the "Bond Resolution"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

"*Annual Report*" means any Annual Report provided by the District under and as described in Sections 3 and 4.

"*Annual Report Date*" means the date that is nine months after the end of the District's fiscal year (currently March 31 based on the District's fiscal year end of June 30).

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

"*Listed Events*" means any of the events listed in Section 5(a).

"*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.

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

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to provide, not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing no later than March 31, 2012 with the report for the 2010-11 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in

compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by 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 Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to the Annual Report, the Dissemination Agent shall:

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, 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) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

- (i) the average daily attendance in District schools on an aggregate basis for the preceding fiscal year;
- (ii) pension plan contributions made by the District for the preceding fiscal year;
- (iii) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowings of the District as of the end of the preceding fiscal year;

- (iv) description of amount of general fund revenues and expenditures which have been budgeted for the current fiscal year, together with audited actual budget figures for the preceding fiscal year;
- (v) the District's total revenue limit for the preceding fiscal year;
- (vi) prior fiscal year total secured property tax levy and collections, showing current collections as a percent of the total levy; and
- (vii) current fiscal year assessed valuation of taxable properties in the District.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, 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.

(d) 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 the MSRB's Internet web site or filed with the Securities and Exchange Commission.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) 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.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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, if material.

- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, 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)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the 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 legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. 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.

Section 9. Amendment; Waiver. Notwithstanding any other provision hereof, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), 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 type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the

opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended under the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate prevents 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 10. Default. If the District fails to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

Date: _____, 2011

FRESNO UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Fresno Unified School District
Name of Bond Issue: \$_____ aggregate principal amount of Fresno Unified School District (Fresno County, California) General Obligation Bonds, Election of 2010, Series A
Date of Issuance: _____, 2011

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 15 of the resolution adopted by the Board of Education of the District authorizing the issuance of the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

FRESNO UNIFIED SCHOOL DISTRICT

By: _____
Authorized Officer

APPENDIX F

DTC AND THE BOOK-ENTRY SYSTEM

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

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

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

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

2. DTC, the world's largest 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation

(NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's 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).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from 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 nor its nominee, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

10. DTC may discontinue providing its services as securities 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 securities depository is not obtained, security Bonds are required to be printed and delivered.

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

12. 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.

APPENDIX G
ACCRETED VALUE TABLES