

SUPPLEMENT TO PRELIMINARY OFFICIAL STATEMENT

relating to

\$2,500,000*

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT

(El Dorado County, California)

Election of 2012 General Obligation Bonds, Series A

(Bank Qualified)

This Supplement to Preliminary Official Statement (this “Supplement”) provides information in connection with the sale of the above-captioned bonds (the “Bonds”) and supplements the Preliminary Official Statement of the Pollock Pines Elementary School District (El Dorado County, California) Election of 2012 General Obligation Bonds, Series A (Bank Qualified) relating to the Bonds, dated January 3, 2013 (the “Preliminary Official Statement”). All persons in possession of the Preliminary Official Statement are requested to permanently attach to or otherwise include this Supplement in the Preliminary Official Statement. All capitalized terms not defined herein shall have the meaning set forth in the Preliminary Official Statement.

1. All references to “Pollock Pines Elementary School District (El Dorado County, California) Election of 2012 General Obligation Bonds, Series A” shall be replaced with “Pollock Pines Elementary School District (El Dorado County, California) Election of 2012 General Obligation Bonds, Series A (Bank Qualified).”

2. On page 3 of the Preliminary Official Statement, the following shall be added immediately following the subsection under the caption “INTRODUCTION – Tax Matters”:

“Bank Qualified

The District has designated the Bonds as “qualified tax-exempt obligations,” thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct a portion of such institution’s interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Section 265(b)(3) of the Code (as defined herein).”

3. On page 46 of the Preliminary Official Statement, the following shall be added immediately following the subsection under the caption “LEGAL MATTERS – Continuing Disclosure”:

“Bank Qualified

The District has designated the Bonds as “qualified tax-exempt obligations,” thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct a portion of such institution’s interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Section 265(b)(3) of the Code.

* Preliminary, subject to change.

The District hereby approves the use and distribution of this Supplement to the Preliminary Official Statement.

Dated: January 8, 2013

**POLLOCK PINES ELEMENTARY SCHOOL
DISTRICT**

By: _____ /s/ Kevin Monsma
Kevin Monsma
Superintendent

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 3, 2013

NEW ISSUE—FULL BOOK-ENTRY

RATING:

**Rating: Standard & Poor's: "A+"
(See "MISCELLANEOUS – Rating" herein)**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.

\$2,500,000*

**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
(El Dorado County, California)
Election of 2012 General Obligation Bonds, Series A**

Dated: Date of Delivery

Due: August 1, as shown on inside cover

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Pollock Pines Elementary School District (El Dorado County, California) Election of 2012 General Obligation Bonds, Series A (the "Bonds") were authorized at an election of the registered voters of the Pollock Pines Elementary School District (the "District") held on June 5, 2012, at which the requisite 55% or more of the persons voting on a proposition submitted thereto voted to authorize the issuance and sale of \$9,000,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds.

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of El Dorado County (the "County") is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of the principal of and interest on the Bonds when due.

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 of the Bonds ("Beneficial Owners") will not receive certificates representing their interest in the Bonds. See "THE BONDS – Book-Entry Only System" herein.

The Bonds will be issued as current interest bonds. Interest on the Bonds accrues from the date of delivery of the Bonds (the "Date of Delivery"), and is payable semiannually on February 1 and August 1 of each year (each a "Bond Payment Date"), commencing August 1, 2013.

Payments of principal of and interest on the Bonds will be made by Zions First National Bank, as the designated Paying Agent, Bond Registrar and Transfer Agent, to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry Only System" herein.

The District has applied for municipal bond insurance for the scheduled payment of principal of and interest on the Bonds when due which, if purchased, would be issued concurrently with the delivery of the Bonds.

The Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturity dates as described herein.*

Maturity Schedule*
(See inside front cover)

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel to the District. Certain matters will be passed on for the Underwriter by Nossaman LLP, Irvine, California. It is anticipated that the Bonds in definitive form will be available for delivery through the facilities of Cede & Co., as nominee of The Depository Trust Company, in New York, New York, on or about _____, 2013.



Dated: January ___, 2013

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the 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.

MATURITY SCHEDULE

\$2,500,000*

**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
(El Dorado County, California)
Election of 2012 General Obligation Bonds, Series A**

Base CUSIP⁽¹⁾: _____

\$_____ Current Interest Serial Bonds

<u>Maturity</u> <u>(August 1)</u>	<u>Principal Amou</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u>
----------------------------------------------------	------------------------------	----------------------------------------------	---------------------	-----------------------------------

\$_____ - ___% Current Interest Term Bonds, due August 1, 20__, Yield ___%; CUSIP⁽¹⁾: _____

* Preliminary, subject to change.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriter nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein, other than that provided by the District, has been obtained from sources which are believed to be reliable, but 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.

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The District maintains a website. However, the information presented on the District’s website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT

Board of Trustees

J. Dennis Cullen, *President*
Susan McVey, *Clerk*
Michael Bird, *Member*
Dave Campbell, *Member*
Thomas E. Griffin, *Member*

District Administration

Kevin Monsma, *Superintendent*
Sean Martin, *Chief Fiscal Officer*

PROFESSIONAL SERVICES

Bond and Disclosure Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
San Francisco, California

Financial Advisor

Isom Advisors, a Division of Urban Futures, Inc.
Walnut Creek, California

Underwriter

E. J. De La Rosa & Co., Inc.
San Francisco, California

Paying Agent, Registrar and Transfer Agent

Zions First National Bank
Los Angeles, California

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\$2,500,000*
POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
(El Dorado County, California)
Election of 2012 General Obligation Bonds, Series A

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of the Pollock Pines Elementary School District (El Dorado County, California) Election of 2012 General Obligation Bonds, Series A (the “Bonds”).

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page 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 Pollock Pines Elementary School District (the “District”) serves Pollock Pines, an unincorporated area of El Dorado County (the “County”), and is located 50 miles east of Sacramento and 45 miles west of Lake Tahoe. The District encompasses approximately 199 square miles and serves a population of approximately 6,871 residents. The District is an elementary school district serving students in kindergarten through eighth grades. The District operates Pinewood Elementary School for students in grades K-4 and Sierra Ridge Middle School for students in grades 5-8. The District also provides administrative services to the Silver Fork School District. The District’s average daily attendance (“ADA”) for fiscal year 2012-13 is estimated to be approximately 657 students. The District has a 2012-13 total assessed valuation of \$814,975,324.

The District is governed by a five-member Board of Trustees (the “Board”), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District’s other personnel. Kevin Monsma is currently the District’s Superintendent.

See “TAX BASE FOR REPAYMENT OF BONDS” herein for more information regarding the District’s assessed valuation, and “POLLOCK PINES ELEMENTARY SCHOOL DISTRICT” herein for more information regarding the District generally.

Purpose of the Bonds

The Bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and pay the costs of issuing the Bonds. See “THE BONDS – Application and Investment of Bond Proceeds” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

* Preliminary, subject to change.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Government Code and other applicable law, and pursuant to a resolution adopted by the Board of Trustees of the District. See “THE BONDS – Authority for Issuance” herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR REPAYMENT OF BONDS” herein.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered book-entry form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. See “THE BONDS – General Provisions” and “– Book-Entry Only System” herein. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution described herein. See “THE BONDS – Discontinuation of Book-Entry Only System; Payment to Beneficial Owners” herein. Purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interests in the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the “Owners,” “Bondowners” or “Holders” of the Bonds (other than under the caption “TAX MATTERS” and in APPENDIX A) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

The Bonds will be issued as current interest bonds. The Bonds mature on August 1 in the years indicated on the inside cover page hereof.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of \$5,000 principal amount, or any integral multiple thereof.

Redemption.* The Bonds maturing on or after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, on August 1, 20__, or on any date thereafter, as a whole or in part. The Term Bonds are subject to mandatory sinking fund redemption as further described herein. See “THE BONDS – Redemption” herein.

Payments.* The Bonds will be dated as of the date of their initial execution and issuance (the “Date of Delivery”). Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each February 1 and August 1 (each a “Bond Payment Date”), commencing August 1, 2013. Principal of the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof.

Payments of the principal of and interest on the Bonds will be made by Zions First National Bank, as the designated paying agent, bond registrar and transfer agent (the “Paying Agent”), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds.

* Preliminary, subject to change.

Bond Insurance. The District has applied for municipal bond insurance for the scheduled payment of principal of and interest on the Bonds when due, which, if purchased, will be issued concurrently with the delivery of the Bonds.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, 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 calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. In addition, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond constitutes original issue discount, and the amount of original issue discount that accrues to the owner of the Bond is excluded from gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax. See “TAX MATTERS” herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities DTC on or about _____, 2013.

Bond Owner’s Risks

The Bonds are general obligations of the District payable solely from *ad valorem* taxes which may be levied without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates) on all taxable property in the District. For more complete information regarding the District’s financial condition and taxation of property within the District, see “TAX BASE FOR PAYMENT OF BONDS” and “POLLOCK PINES ELEMENTARY SCHOOL DISTRICT” herein.

Continuing Disclosure

The District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). See “LEGAL MATTERS – Continuing Disclosure.” The specific nature of the information to be made available and the notices of listed events required to be provided are described in “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS.”

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget,” “intend,” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Isom Advisors, a Division of Urban Futures, Inc., Walnut Creek, California, is acting as financial advisor to the District with respect to the Bonds. Certain matters will be passed on for the Underwriter (defined herein) by Nossaman LLP, Irvine, California. Zions First National Bank, Los Angeles, California, is acting as the Paying Agent with respect to the Bonds.

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 Pollock Pines Elementary School District, 2701 Amber Trail, Pollock Pines, California 95726, telephone: (530) 644-5416. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as 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 entirety by reference to each such documents, statutes and constitutional provisions.

The information set forth herein, other than that provided by the District, 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.

Terms used but not otherwise defined herein shall have the meanings assigned to such terms by the Resolution (defined herein).

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “Act”), Article XIII A of the California Constitution and pursuant to a resolution adopted by the Board of Trustees of the District on October 9, 2012 (the “Resolution”). The County has adopted a resolution pursuant to Section 15140(b) of the Education Code, which authorizes the District to issue Bonds under the 2012 Authorization (as defined below), on its own behalf, and pursuant to which, the Bonds are being issued by the District. The District received authorization at an election held on June 5, 2012 by the requisite 55% or more of the votes cast by eligible voters within the District to issue \$9,000,000 aggregate principal amount of general obligation bonds (the “2012 Authorization”). The Bonds are the first issuance of bonds under the 2012 Authorization.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be placed by the County in the District’s Debt Service Fund (defined herein), which is segregated and maintained by the County and which is designated for the payment of principal of and interest on the Bonds when due, and for no other purpose. Although the County is obligated to levy *ad valorem* taxes for the payment of the Bonds, and will maintain the Debt Service Fund, 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 becomes due and payable, shall be transferred to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants for subsequent disbursement to the Beneficial Owners of the Bonds.

The rate of the annual *ad valorem* taxes levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District’s control, such as general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District’s assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution” and “TAX BASE FOR PAYMENT OF BONDS – Assessed Valuations” herein.

General Provisions

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. Beneficial Owners will not receive certificates representing their interests in the Bonds.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on August 1 and February 1 of each year, commencing August 1, 2013. Interest on the Bonds shall be computed on the basis of a 360-day year of 12, 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2013, in which event it shall bear interest from the Date of Delivery. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1, in the years and amounts set forth on the inside cover page hereof.

Payment. Payment of interest on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent the registered Owner of such Bond thereof as of the close of business on the Record Date, such interest to be paid by check mailed to such Owner on the Bond Payment Date, at the Owner's address as it appears on such registration books or at such other address as such Owner may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner of an aggregate principal amount of \$1,000,000 or more may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal and redemption premiums, if any, payable on the Bonds are payable upon maturity or earlier redemption, as applicable, upon surrender of the applicable Bond at the principal office of the Paying Agent. The principal of, and interest and redemption premiums, if any, on the Bonds are payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds. See "THE BONDS – Book-Entry Only System" herein.

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Annual Debt Service

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

Year Ending <u>August 1</u>	Annual Principal <u>Payment</u>	Annual Interest <u>Payment</u> ⁽¹⁾	Total Annual <u>Debt Service</u>
--------------------------------	---------------------------------------	-----------------------------------------------------	-------------------------------------

Total

⁽¹⁾ Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2013.

Application and Investment of Bond Proceeds

The Bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and pay the costs of issuing the Bonds.

Building Fund. The proceeds of the sale of the Bonds shall be deposited in the fund held by the County and known as the “Pollock Pines Elementary School District, Election of 2012 General Obligation Bonds, Series A Building Fund” (the “Building Fund”) and shall be applied only for the purposes for which the Bonds are issued. Any interest earnings on moneys held in the Building Fund shall be retained therein.

Debt Service Fund. The *ad valorem* property taxes levied by the County for the payment of the Bonds, when collected, will be deposited into the fund held by the County and known as the “Pollock Pines Elementary School District, Election of 2012 General Obligation Bonds, Series A Debt Service Fund” (the “Debt Service Fund.”). Any accrued interest or premium received by the County on the sale of the Bonds will be deposited in the Debt Service Fund. Any interest earnings on moneys held in the Debt Service Fund shall be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Fund, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

Expected Investment of Bond Proceeds. In accordance with the Resolution and subject to federal tax restrictions, moneys in the Debt Service Fund and the Building Fund may be invested in the following: (i) lawful investment permitted by Sections 16429.1 and 53601 (“Section 53601”) of the Government Code of the State of California; (ii) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code which invests exclusively in investments permitted by Section 53635 of the Government Code; (iii) a guaranteed investment contract with a provider rated in at least the second highest category by each rating agency then rating the Bonds, (iv) the Local Agency Investments Fund of the California State Treasurer, (v) the Investment Pool of the County (defined herein), and (vi) State and Local Government Series Securities.

Moneys in the Debt Service Fund and the Building Fund are expected to be invested through the County Investment Pool. See “EL DORADO COUNTY TREASURY POOL” herein.

Redemption

Optional Redemption.* The Bonds maturing on or before August 1, 20__ are not subject to redemption. The Bonds maturing on or after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part on any date, on or after August 1, 20__, at a redemption price equal to the principal amount of the Bonds called for redemption, without premium, together with interest accrued thereon to the date of redemption.

Mandatory Sinking Fund Redemption.* The Term Bonds maturing on August 1, 20__ are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof, plus interest accrued to the date set forth for redemption, without premium. The principal amount of such Term Bonds to be so redeemed and the redemption dates therefor, and the final principal payment date is as indicated in the following table:

Redemption Date <u>(August 1)</u>	Principal Amount <u>to be Redeemed</u>
--------------------------------------	-------------------------------------------

⁽¹⁾ Maturity.

Selection of Bonds for Redemption. Whenever provision is made for the redemption of Bonds and less than all Outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent, in a manner determined by the District, shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in a principal amount of \$5,000, or any integral multiple thereof.

Notice of Redemption. Notice of any redemption of Bonds will be provided not less than 30 nor more than 45 days prior to the redemption date (i) to the Registered Owners thereof at the addresses appearing on the bond registration books of the Paying Agent, (ii) to the Securities Depository described below, and (iii) to one or more of the Information Services described below. Notice to the Registered Owners shall be given by registered or certified mail, postage prepaid. Notice to the Security Depository will be given by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service. Notice to the Information Services will be given by registered or certified mail, postage prepaid, or overnight delivery service.

Each notice of redemption will 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 of such Bond to be redeemed, and (g) the original issue date, interest rate or Accretion Rate and stated maturity date of each Bond to be redeemed in whole or in part.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; Mergent Inc., 585 Kingsley Park Drive, Fort Mill, South Carolina 29715, Attention: Called Bond Department; and Standard and

* Preliminary, subject to change.

Poor's J.J. Kenny Information Services' "Called Bond Record," 55 Water Street, 45th Floor, New York, New York 10041.

"Securities Depository" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041, Fax (212) 855-1000 or Fax (212) 855-7320.

Neither failure to receive or failure to deliver any notice of redemption described above, nor any defect in any such notice so given, will affect the sufficiency of the proceedings for the redemption of the affected Bonds.

Rescission of Notice of Redemption. With respect to any notice of redemption of Bonds as described above, unless upon the giving of such notice such Bonds shall be deemed to have been defeased as described in "—Defeasance" herein, such notice will state that such redemption will be conditional upon the receipt by an independent escrow agent selected by the District on or prior to the date fixed for such redemption of the moneys necessary and sufficient to pay the principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that, if such moneys shall not have been so received, said notice shall be of no force and effect, the Bonds shall not be subject to redemption on such date and the Bonds shall not be required to be redeemed on such date. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter give notice, to the persons to whom and in the manner in which the notice of redemption was given, that such moneys were not so received.

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

Effect of Notice of Redemption. If notice of redemption is given as described above, and the moneys for the redemption (including the interest accrued to the applicable date of redemption) having been set aside as described in "—Defeasance" herein, the Bonds to be redeemed will become due and payable on such date of redemption.

If on such redemption date, moneys for the redemption of all the Bonds to be redeemed, together with interest accrued to such redemption date, shall be held by an independent escrow agent selected by the District so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as described above, then from and after such redemption date, interest with respect to the Bonds to be redeemed will cease to accrue and become payable. All money held for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, accrued interest with respect thereto to the date fixed for redemption, then such Bonds will no longer be deemed outstanding and will be surrendered to the Paying Agent for cancellation.

Book-Entry Only System

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 or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments

of interest, principal or premium, if any, with respect to the Bonds, (b) certificates 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, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. 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 Participants are on file with DTC.

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

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

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

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

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

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

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

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

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

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

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

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

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

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in Los Angeles, California. Interest on the Bonds

will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered Owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered Owner of at least \$1,000,000 in aggregate principal amount, interest shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like tenor, maturity and transfer amount upon presentation and surrender at the designated office of the Paying Agent, initially located in Los Angeles, California, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the designated office of the Paying Agent together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent will complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the transfer amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

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

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased at any time prior to maturity in the following ways:

(a) Cash: by irrevocably depositing an independent escrow agent selected by the District an amount of cash which, together with amounts transferred from the Debt Service Fund, if any, is sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal and interest represented thereby and prepayment premiums, if any), at or before their maturity date; or

(b) Government Obligations: by irrevocably depositing with the Paying Agent or with an independent escrow agent selected by the District noncallable Government Obligations together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys transferred from the Debt Service Fund, if any, together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal and interest represented thereby and prepayment premiums, if any) at or before their maturity date;

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

“Government Obligations” means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or “prerefunded” municipal obligations rated in the highest rating category by Moody’s or Standard & Poor’s. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct Ownership of proportionate interests in future interest or principal payments of

such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed "AAA" by Standard & Poor's Ratings Service, a Standard & Poor's Financial Services LLC business ("Standard & Poor's") or "Aaa" by Moody's Investors Service ("Moody's").

Bond Insurance

The District has applied for municipal bond insurance for the scheduled payment of principal of and interest on the Bonds when due which, if purchased, would be issued concurrently with the delivery of the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds
Net Original Issue Premium

Total Sources

Uses of Funds

Costs of Issuance⁽¹⁾
Debt Service Fund
Building Fund

Total Uses

⁽¹⁾ Reflects all costs of issuance, including but not limited to the Underwriter's discount, demographics and filing fees, printing costs, legal fees, bond insurance premium and the costs and fees of the Paying Agent and the financial advisor to be paid from proceeds of the Bonds. See "Miscellaneous – Underwriting" herein.

EL DORADO COUNTY TREASURY POOL

The following information has been provided by the County Treasurer (defined herein), and none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy or completeness thereof. Further information may be obtained from the County Treasurer.

The following table summarizes the composition of the Pool as of November 30, 2012.

**EL DORADO COUNTY TREASURY POOL
PORTFOLIO COMPOSITION
(as of November 30, 2012)**

	<u>Book Value</u>	<u>Market Value</u>	<u>% of Pool</u>
LAIF	\$50,000,000.00	\$50,000,000.00	12.42%
Treasury Securities – Coupon	196,946,739.27	197,601,162.29	48.92
Certificates of Deposit - Bank	77,830,785.00	77,830,785.00	19.33
Treasury Discounts - Amortizing	17,997,750.00	17,997,750.00	4.47
Money Market Account	<u>59,849,000.00</u>	<u>59,849,000.00</u>	<u>14.86</u>
Totals Investments:	\$384,791,897.86	\$385,275,140.41	100.00%
<u>Total Earnings</u>	<u>November 30</u>	<u>Fiscal Year To Date</u>	
Current Year	\$118,295.72	\$627,800.62	
Average Daily Balance	\$383,909,379.34	\$404,562,293.39	
Effective Rate of Return	0.37%	0.37%	

Source: County of El Dorado Treasurer-Tax Collector's Office.

**CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT
REVENUES AND APPROPRIATIONS**

The principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See “THE BONDS – Security and Sources of Payment”) Articles XIII A, XIII B, XIII C and XIII D of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes and to the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District’s voters in compliance with Article XIII A, Article XIII C, and all applicable laws.

Article XIII A of the California Constitution

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

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR PAYMENT OF BONDS” herein.

Article XIII A requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) 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% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIII A requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

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.

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

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

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.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION" herein.

Article XIII B of the California Constitution

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. As amended, Article XIII B defines:

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

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article 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 such as the Bonds, (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 fifty percent of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "-- Propositions 98 and 111" herein.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIIC of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article 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 XIIIIC and Article XIID of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the California Constitution Articles XIIIIC and XIID (respectively, “Article XIIIIC” and “Article XIID”), 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 XIIIIC 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 XIIIIC 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. Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Propositions 98 and 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). Certain provisions of the Accountability Act however, were modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changed 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 State general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the State 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 changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of being returned to taxpayers, transferred to K-14 school districts. Any such transfer to K-14 school districts is excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year is automatically increased by the amount of such transfer. These additional moneys 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 can be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State’s budgets in a different way than is proposed in the Governor’s Budget.

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:

- a. 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.
- b. 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.

- c. 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 was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.
- d. 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.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") 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 ("Test 2"). Under Proposition 111, schools will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 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. Under Test 3, 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 Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1 percent of the value of property, and property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a

specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district). These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends 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-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. 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 amends 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, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all 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 Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing

cities or counties agreed to make specified payments to school districts and county offices of education, totaling \$1.7 billion statewide. The District can make no representations regarding what affect the implementation of ABx1 26 will have on the District's future receipt of tax increment revenues.

Jarvis vs. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 30

On November 6, 2012, California voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2017. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$340,000 but less than \$408,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$408,000 but less than \$680,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$608,000 for joint filers).

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

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 ongoing. Legislation enacted with respect to fiscal year 2012-13 provides for additional inter-fiscal year deferrals

On May 23, 2012, the Governor signed into law Assembly Bill ("AB 103"), which extends certain provisions of existing law designed to manage the State's cash resources. AB 103 authorizes the deferral of State apportionments during fiscal year 2012-13, as follows: (i) \$700 million from July 2012 to September 2012, (ii) \$500 million from July 2012 to January 2013, (iii) \$600 million from August 2012 to January 2013, (iv) \$800 million from October 2012 to January 2013, and (v) \$900 million from March 2013 to April 2013. Collectively, these deferrals are referred to as the "Cash Management Deferrals."

As in the prior fiscal years, AB 103 provides 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. The District, however, has not applied for nor received an exemption from any of the Cash Management Deferrals. In the event any of the Cash Management Deferrals are implemented, the State Controller, State Treasurer and State Director of Finance are required to 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. AB 103 authorizes the Cash Management Deferrals to be accelerated or delayed by up to one month, except that the March 2013 deferral must be paid no later than April 29, 2013.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 26, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

State Budget Measures

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Bonds is payable solely from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof.

2012-13 Budget. On June 27, 2012, the Governor signed into law the State budget for fiscal year 2012-13 (the "2012-13 Budget"). The Department of Finance has released its summary of the 2012-13 Budget (the "Department of Finance Report"). The following information is drawn from the Department of Finance Report.

The 2012-13 Budget seeks to close a budget gap of \$15.7 billion through a combination of measures totaling \$16.6 billion. Specifically, the 2012-13 Budget authorizes \$8.1 billion of expenditure reductions (including \$1.9 billion in reductions to Proposition 98 spending), \$6 billion of revenue increases, and \$2.5 billion of other measures. The 2012-13 Budget assumed voter approval of a modified tax initiative proposed

by the Governor in his May revision to the proposed State budget (the “May Revision”). The tax initiative, labeled as Proposition 30, was approved by voters at the November 6, 2012 general election. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 30” herein. The 2012-13 Budget estimates that the tax initiative will generate approximately \$8.5 billion through fiscal year 2012-13. The 2012-13 Budget assumes an attendant increase of \$2.9 billion to State funding for school districts and community colleges, resulting in a net benefit to the State’s general fund of \$5.6 billion.

With the implementation of all measures, the 2012-13 Budget assumes, for fiscal year 2011-12, total revenues of \$86.8 billion and expenditures of \$87.0 billion. The State is projected to end fiscal year 2011-12 with a total budget deficit of \$3.6 billion. For fiscal year 2012-13, the 2012-13 Budget projects total revenues of \$95.9 billion and authorizes total expenditures of \$91.3 billion. The State is projected to end the 2012-13 fiscal year with a total budget surplus of \$948 million.

The 2012-13 Budget authorized an additional \$6 billion of trigger reductions which were to become effective in the event Proposition 30 did not pass. The trigger reductions included approximately \$5.4 billion of reductions to Proposition 98 funding for schools and community colleges. The 2012-13 Budget indicates that such a reduction would have been equivalent to the cost of three weeks worth of instruction. This trigger reduction would also have eliminated the ability of the State to begin repaying existing apportionment deferrals to schools and community colleges. Additional triggers included the following: (i) \$250 million reduction to each of the University of California and California State University systems, (ii) \$50 million reduction to the Department of Developmental Services, (iii) \$20 million reflecting the elimination of certain city police grants, (iv) \$5 million reduction to local water safety patrols, (v) \$10 million reduction to the Department of Forestry and Fire Protection, (vi) \$6.6 million reduction to Department of Water Resources flood control programs, which would reduce channel and levee maintenance and floodplain mapping, (vii) \$1.1 million reduction to the departments of Parks and Recreation and Fish and Game reflecting a reduced number of state public safety officers, (viii) \$1.4 million reduction reflecting the elimination of State beach lifeguards, and (ix) \$1 million reduction to Department of Justice law enforcement programs.

For fiscal year 2012-13, the Proposition 98 minimum funding guarantee is set at \$53.6 billion, including \$36.8 billion from the State general fund. This funding level reflects the following significant adjustments and changes:

- *Proposition 98 Adjustments.* A funding decrease of approximately \$630 million due to (1) eliminating the hold-harmless adjustment provided to schools from the elimination of the sales tax on gasoline in fiscal year 2010-11, and (2) a rebenching of the minimum funding guarantee to account for the exclusion of child care programs and the inclusion of special education mental health services from within the guarantee, as well as new and existing property tax shifts. Additionally, the 2012-13 Budget reduces fiscal year 2012-13 appropriations for a number of different programs by \$220.1 million, backfilling them with available one-time funds.
- *Quality Education Investment Act (“QEIA”).* The 2012-13 Budget authorizes the use of a fiscal year 2011-12 overappropriation of the Proposition 98 minimum funding guarantee to prepay legal settlement obligations required by QEIA. As a result, the 2012-13 Budget estimates a one-time savings during fiscal year 2012-13 of \$450 million. The 2012-13 Budget also authorizes the use of this overappropriation to prepay QEIA obligations in fiscal years 2013-14 and 2014-15 to achieve projected savings in such fiscal years of \$181 million and \$40.8 million, respectively.
- *K-12 Deferral Reduction.* An increase of \$2.1 billion in Proposition 98 funding to reduce K-12 inter-fiscal year apportionment deferrals from \$9.5 billion to \$7.4 billion. This deferral reduction was contingent on voter approval of Proposition 30.

- *Charter Schools.* A funding increase of \$53.7 million to the Proposition 98 funding for charter school categorical programs to fund growth in charter school enrollment. In addition, the 2012-13 Budget implementing legislation expands the ability of schools district to convey surplus property to charter schools, while also increasing financing assistance to charter schools by allowing county treasurers to provide them with short-term loans, and by authorizing charter schools to participate in short-term tax and revenue anticipation note borrowing mechanisms already available to schools and county offices of education.
- *Educational Mandates.* As increase of \$86.2 million funding support for K-12 educational mandates through a new voluntary block grant. Participating school districts and county offices of education would receive a \$28 per-student allocation, while participating charter schools would receive \$14 per student. Districts and county offices of education that choose not to participate in this block grant program would retain their right to submit claims for reimbursement, subject to audits by the State Controller.
- *State Preschool Programs.* The 2012-13 Budget includes a number of adjustments to State preschool programs, including (i) an increase of \$163.9 million in Proposition 98 funding to cover the cost of part-day preschool services, (ii) an increase of \$3.4 million to reflect increased fee assessments for preschool programs on families that are currently exempt from such fees (this is expected to offset Proposition 98 expenditures by a like amount); (iii) a decrease of \$30 million in Proposition 98 funding to reflect an 8.7% across-the-board reduction to general child care programs, and (iv) a decrease of \$11.9 million reflect the suspension of the statutory cost of living adjustment for preschool programs.

In addition, the 2012-13 Budget assumes an increase of \$1.3 billion in local property taxes for fiscal year 2012-13 resulting from the distribution of cash assets previously allocated to redevelopment agencies. These increased local property taxes would offset Proposition 98 spending by an identical amount. The 2012-13 Budget notes that the May Revision assumed that K-14 school districts would receive \$818 million in property tax revenues during fiscal year 2011-12 to offset State expenditures on Proposition 98 funding. The full amount of these payments were not made due to the timing of the Supreme Court’s ruling in the *California Redevelopment Association v. Matosantos* case, as well as inconsistent interpretations of ABx1 26 at the local level. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22” herein. The 2012-13 Budget seeks to create a one-time process to recapture these property tax revenues by requiring county auditor-controllers to bill successor agencies for the amounts that should have been distributed to the affected taxing agencies.

Additional information regarding the 2012-13 Budget may be obtained from the Department of Finance at www.dof.ca.gov. However, such information is not incorporated herein by any reference.

District Response to 2012-13 Budget. The District assumed passage of Proposition 30 in creating the revenue assumptions for its 2012-13 Adopted Budget. If the tax initiative had failed and the trigger reductions had been implemented in full, the revenue limit reduction in fiscal year 2012-13 would have been offset by the utilization of un-appropriated fund balance.

Recent Litigation Regarding State Budgetary Provisions. On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the County of San Francisco (the “CSBA Petition”). The petitioners allege that the State budget for fiscal year 2011-12 improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the minimum funding guarantee of approximately \$2.1 billion. The CSBA Petition seeks an order from the Court compelling the State Director of Finance, Superintendent of Public Instruction and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution.

The District makes no representations regarding the viability of the claims in the CSBA Petition, nor can the District predict whether the petitioners will be successful. Moreover, the District makes no representations as to how a final decisions by the Superior Court would affect the State's ability to fund education in fiscal year 2012-13, or in future fiscal years.

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

TAX BASE FOR PAYMENT OF BONDS

Ad Valorem Property Taxation

District property taxes are assessed and collected by the County at the same time and on the same rolls as the special district property taxes. Assessed valuations are the same for both District and the County taxing purposes.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes are payable in two installments due November 1 and February 1, respectively, and become delinquent on December 10 and April 10 for each respective installment. Taxes on unsecured property (personal property and leasehold) are due on August 31 of each year based on the preceding fiscal year's secured tax rate and become delinquent on October 31.

State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all property not attached to land such as personal property or business property. Boats and airplanes are examples of unsecured property. Unsecured property is assessed on the "unsecured roll."

Assessed Valuations

The assessed valuation of property in the District is established by the tax assessing authority for the county in which such property is located, except for public utility property which is assessed by the State

Board of Equalization. Assessed valuations are reported at 100% of the “full cash value” of the property, as defined in Article XIII A of the California Constitution. For a discussion of how properties currently are assessed, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” herein.

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 total assessed valuation for fiscal year 2012-13 of \$814,975,324. The following table represents an eleven-year history of assessed valuations in the District:

**ASSESSED VALUATIONS
Pollock Pines Elementary School District
Fiscal Years 2002-03 through 2012-13**

	<u>Local Secured</u>	<u>Unsecured</u>	<u>Total</u>
2002-03	\$570,971,406	\$8,497,104	\$579,468,510
2003-04	619,604,305	8,751,382	628,355,687
2004-05	675,825,908	7,055,135	682,881,043
2005-06	762,022,818	8,502,953	770,525,771
2006-07	847,874,582	9,392,961	857,267,543
2007-08	914,964,779	10,869,323	925,834,102
2008-09	932,675,707	9,846,283	942,521,990
2009-10	876,885,100	10,269,662	887,154,762
2010-11	839,287,276	10,840,751	850,128,027
2011-12	819,128,247	11,090,986	830,219,233
2012-13	806,849,115	8,126,209	814,975,324

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District’s control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rates levied by the County to pay the debt service with respect to the Bonds. See “THE BONDS – Security and Sources of Payment” herein.

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Assessed Valuation by Land Use. The following table is an analysis of the District's fiscal year 2012-13 secured assessed valuation by land use:

**ASSESSED VALUATION AND PARCELS BY LAND USE
Pollock Pines Elementary School District
Fiscal Year 2012-13**

Non-Residential:	2012-13 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Rural/Timber	\$26,428,379	3.28%	448	8.83%
Commercial/Office	29,153,553	3.61	43	0.85
Vacant Commercial	1,634,879	0.20	17	0.34
Industrial	4,174,986	0.52	16	0.32
Vacant Industrial	8,425,144	1.04	16	0.32
Recreational	6,497,697	0.81	18	0.35
Social/Institutional	<u>0</u>	<u>0.00</u>	<u>2</u>	<u>0.04</u>
Subtotal Non-Residential	\$76,314,638	9.46%	560	11.04%
Residential:				
Single Family Residence	\$677,444,697	83.96%	3,713	73.19%
Mobile Home	17,144,845	2.12	268	5.28
Mobile Home Park	8,834,871	1.09	13	0.26
2-3 Residential Units	8,136,142	1.01	53	1.04
4+ Residential Units/Apartments	6,874,411	0.85	22	0.43
Miscellaneous Residential	1,050,688	0.13	14	0.28
Vacant Residential	<u>11,048,823</u>	<u>1.37</u>	<u>430</u>	<u>8.48</u>
Subtotal Residential	\$730,534,477	90.54%	4,513	88.96%
Total	\$806,849,115	100.00%	5,073	100.00%

⁽¹⁾ Local Secured Assessed Valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation by Jurisdiction. The following table shows the District's assessed valuation by jurisdiction for fiscal year 2012-13.

**ASSESSED VALUATION AND PARCELS BY JURISDICTION
Pollock Pines Elementary School District
Fiscal Year 2012-13**

<u>Jurisdiction:</u>	<u>Assessed Valuation in School District</u>	<u>% of School District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in School District</u>
Unincorporated El Dorado County	\$814,975,324	100.00%	\$20,830,426,381	3.91%
Total El Dorado County	\$814,975,324	100.00%	\$25,491,531,817	3.20%

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

Assessed Valuation of Single Family Homes. The following table is an analysis of the District's fiscal year 2012-13 assessed valuation per parcel of single family homes:

**ASSESSED VALUATION OF SINGLE FAMILY HOMES
Pollock Pines Elementary School District
Fiscal Year 2012-13**

	No. of Parcels	2012-13 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	3,713	\$677,444,697	\$182,452	\$167,000

2012-13 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	21	0.566%	0.566%	\$357,470	0.053%	0.053%
25,000 - 49,999	83	2.235	2.801	3,238,895	0.478	0.531
50,000 - 74,999	157	4.228	7.029	9,840,161	1.453	1.983
75,000 - 99,999	251	6.760	13.789	22,228,168	3.281	5.265
100,000 - 124,999	412	11.096	24.886	46,695,938	6.893	12.158
125,000 - 149,999	573	15.432	40.318	79,015,231	11.664	23.821
150,000 - 174,999	508	13.682	53.999	82,281,788	12.146	35.967
175,000 - 199,999	508	13.682	67.681	94,420,307	13.938	49.905
200,000 - 224,999	336	9.049	76.730	71,059,496	10.489	60.394
225,000 - 249,999	229	6.168	82.898	53,916,246	7.959	68.353
250,000 - 274,999	163	4.390	87.288	42,650,044	6.296	74.649
275,000 - 299,999	117	3.151	90.439	33,531,331	4.950	79.598
300,000 - 324,999	95	2.559	92.998	29,722,147	4.387	83.986
325,000 - 349,999	67	1.804	94.802	22,457,036	3.315	87.301
350,000 - 374,999	47	1.266	96.068	16,920,429	2.498	89.798
375,000 - 399,999	29	0.781	96.849	11,196,975	1.653	91.451
400,000 - 424,999	28	0.754	97.603	11,482,944	1.695	93.146
425,000 - 449,999	18	0.485	98.088	7,861,348	1.160	94.307
450,000 - 474,999	18	0.485	98.573	8,291,212	1.224	95.531
475,000 - 499,999	9	0.242	98.815	4,402,053	0.650	96.180
500,000 +	44	1.185	100.000	25,875,478	3.820	100.000
Total	3,713	100.000%		\$677,444,697	100.000%	

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

Appeals and Adjustments of Assessed Valuations

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. 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. Such reductions are subject to yearly reappraisals and may be 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 – Article XIII A of the California Constitution" herein.

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.

No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

Tax Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. A supplemental tax is levied when property changes hands or new construction is completed which produces additional revenue.

A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty (i.e., interest) to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder’s office in order to obtain a lien on specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

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 (except for levies to support prior voter-approved indebtedness) are to be shared with local taxing entities within each county.

Secured Tax Charges and Delinquencies

The following table sets forth secured tax charges and delinquency information for the District for the years 2006-07 through 2011-12:

**SECURED TAX CHARGES AND DELINQUENCIES
Pollock Pines Elementary School District
Fiscal Years 2006-07 through 2011-12**

	Secured <u>Tax Charge</u> ⁽¹⁾	Amt. Due <u>June 30</u>	% Del. <u>June 30</u>
2006-07	\$8,421,718.35	\$292,158.31	3.47%
2007-08	9,084,634.89	384,418.20	4.23
2008-09	9,417,996.48	342,703.03	3.64
2009-10	8,883,332.49	258,312.66	2.91
2010-11	8,462,008.87	196,475.88	2.32
2011-12	8,245,375.35	196,030.04	2.38

⁽¹⁾ All secured ad-valorem taxes collected by the county for property located within the school district except for El Dorado Irrigation District ad-valorem tax for land only property.

Source: *California Municipal Statistics, Inc.*

Alternative Method of Tax Apportionment - “Teeter Plan”

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

The Teeter Plan is applicable to all secured tax levies for which the County act as the tax-levying or tax-collecting agency, or for which the County treasuries are the legal depository of the tax collections. As adopted by the County, the Teeter Plan includes Mello-Roos Community Facilities Districts and special assessment districts which provide for accelerated judicial foreclosure of property for which assessments are delinquent.

The *ad valorem* property tax to be levied to pay principal of and interest on of the Bonds will be subject to the Teeter Plan, beginning in the first year of such levy in fiscal year 2012-13. The District will receive 100% of the *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

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

Tax Rates

The following table summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical tax rate area (TRA) within the District from fiscal year 2008-09 through 2012-13.

SUMMARY OF *AD VALOREM* TAX RATES (TRA -59-040) Pollock Pines Elementary School District Fiscal Years 2008-09 through 2012-13

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
General Tax Rate	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Pollock Pines School District	--	--	--	--	.020200
El Dorado Union High School District	.020800	.021400	.020700	.020600	.021100
Los Rios Community College District	<u>.007400</u>	<u>.012400</u>	<u>.009000</u>	<u>.019200</u>	<u>.019300</u>
Total All Property Tax Rate	1.028200%	1.033800%	1.029700%	1.039800%	1.060600%
El Dorado Irrigation District	<u>.010400</u>	<u>.009400</u>	<u>.009200</u>	<u>.010100</u>	<u>.009600</u>
Total Land Only Tax Rate	.010400%	.009400%	.009200%	.010100%	.009600%

Source: California Municipal Statistics, Inc.

Principal Taxpayers

The following table lists the major taxpayers in the District based on their 2012-13 secured assessed valuations:

LARGEST LOCAL SECURED TAXPAYERS Pollock Pines Elementary School District Fiscal Year 2012-13

	Property Owner	Primary Land Use	2012-13 Assessed Valuation	% of Total ⁽¹⁾
1.	Safeway Inc.	Supermarket	\$9,384,889	1.16%
2.	Sacramento Municipal Utility District	Vacant Land	8,874,064	1.10
3.	Sierra Pacific Industries	Vacant/Timber	3,311,911	0.41
4.	Longs Drug Stores California Inc.	Commercial Store	3,200,000	0.40
5.	Federal National Mortgage Association	Residential Properties	2,216,370	0.27
6.	Darrell Hinz	Multi-Family Residential	1,823,077	0.23
7.	Yeol and Jeong S. Choi	Hotel/Motel	1,821,254	0.23
8.	Sierra Outdoor Resorts Inc.	RV Resort	1,639,500	0.20
9.	Department of Veterans Affairs	Residential Properties	1,601,794	0.20
10.	BMCUS LLC	Hotel/Motel	1,573,408	0.20
11.	James and Roisin Rodgers	Mobile Home Park	1,428,000	0.18
12.	James C. and Deborah Banducci Pierce	Mobile Home Park	1,411,755	0.17
13.	Pollock Pine Pony Express	Commercial Store	1,388,000	0.17
14.	Bank of New York Mellon	Residential Properties	1,373,910	0.17
15.	Rick and Lisa M. Williams	Service Station/Restaurant	1,286,896	0.16
16.	Federal Home Loan Mortgage Corp.	Residential Properties	1,241,400	0.15
17.	Michael H. and Norma Hansen	Residential Properties	1,131,275	0.14
18.	Edward and Judy Dayton	Recreational	1,092,992	0.14
19.	TLY LLC	Mobile Home Park	1,076,460	0.13
20.	Lawrence Joseph and Patricia Anne Gannon	Residential Properties	<u>1,033,388</u>	<u>0.13</u>
			\$47,910,343	5.94%

⁽¹⁾ 2012-13 Local Secured Assessed Valuation: \$806,849,115.

Source: California Municipal Statistics, Inc.

GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

The information in this section concerning the State funding of public education is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from State revenues. The Bonds are payable solely from the proceeds of an ad valorem tax which is required to be levied by the County in an amount sufficient for the payment thereof.

State Funding of Education

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

Annual State apportionments of basic and equalization aid to school districts are computed based on a revenue limit per unit of ADA. Prior to fiscal year 1998-99, daily attendance numbers included students who

were absent from school for an excused absence, such as illness. Effective in fiscal year 1998-99, only actual attendance is be counted in ADA.

This change was essentially fiscally neutral for school districts which maintained the same excused absence rate. The rate per student was recalculated to provide the same total funding to school districts in the base year as would have been received under the old system. Currently, school districts which can improve their actual attendance rate will receive additional funding.

Generally, these apportionments of basic and equalization aid amount to the difference between a district’s revenue limit and its property tax allocation. The 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 all California school districts of the same type.

The following table reflects the District’s ADA and the ADA base revenue limit per student for the last five years, and a projection for fiscal year 2012-13.

**AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
Pollock Pines Elementary School District
Fiscal Years 2007-08 to 2012-13**

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>	<u>Annual Change in ADA</u>	<u>Base Revenue Limit Per ADA</u>	<u>Funded Base Revenue Limit Per ADA</u>
2007-08	722.62	--	\$5,546.10	\$5,546.10
2008-09	702.60	-2.77%	5,861.10	5,401.36
2009-10	667.20	-5.04%	6,111.10	4,989.41
2010-11	665.25	-0.29%	6,112.57	5,014.57
2011-12	654.80	-1.57%	6,250.14	4,962.49
2012-13 ⁽¹⁾	656.55	0.27%	6,453.98	5,016.55

⁽¹⁾ Budgeted.

Source: Pollock Pines Elementary School District.

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.

Revenue Sources

Major revenue sources of the District are described below.

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

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.

Certain schools districts, known as “basic aid” districts, have local property tax collections of such a large magnitude that, when compared to the district’s total revenue limit, result in the receipt of the minimum State aid of \$120 per pupil. This amount is defined in the State’s constitution as basic aid. The implication for basic aid districts is that the legislatively determined annual cost of living adjustment and other politically

determined factors are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District is not a basic aid district.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter approved indebtedness) 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.

For the 2009-10 fiscal year, the District received \$3,364,036 of revenue limit sources income, accounting for approximately 62% of its general fund revenues. For the 2010-11 fiscal year, the District received \$3,380,039 from revenue limit sources, accounting for approximately 62% of its general fund revenues. For the 2011-12 fiscal year, the District estimates that it will receive \$3,380,278 from revenue limit sources income, accounting for approximately 63% of its projected general fund revenues. For fiscal year 2012-13, the District has budgeted \$3,384,887 of revenue limit sources income, accounting for approximately 62% of budgeted general fund revenues.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug-Free Schools. The federal revenues, most of which are restricted, equaled approximately 7% of general fund revenues in 2009-10, approximately 7% of general fund revenues in 2010-11, and approximately 5% of budgeted general fund revenues in 2011-12. The District has budgeted federal revenues to equal approximately 6% of budgeted general fund revenues for fiscal year 2012-13.

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 ("State Sources"). State Sources equaled approximately 20% of total general fund revenues in 2009-10, approximately 20% of general fund revenues in 2010-11, and approximately 18% of budgeted general fund revenues in 2011-12. The District has budgeted State Sources to equal approximately 20% of budgeted general fund revenues for fiscal year 2012-13.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues. These other local revenues equaled approximately 11% of total general fund revenues in 2009-10, approximately 11% of general fund revenues in 2010-11, and approximately 14% of budgeted general fund revenues in 2011-12. The District has budgeted other local revenues to equal approximately 12% of budgeted general fund revenues for fiscal year 2012-13.

Budget Process

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

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 15 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Trustees and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

For all dual budget options and for single budget option districts whose budgets have been disapproved, the district must revise and readopt its budget by September 15, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8 will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code § 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

The District has never had an adopted budget disapproved by the county superintendent of schools nor has it received a negative or qualified certification of any of its Interim Reports.

The following tables summarize the District's adopted general fund budgets for fiscal years 2009-10 through 2012-13, audited ending results for fiscal years 2009-10 through 2011-12 and projected totals for fiscal year 2012-13.

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GENERAL FUND BUDGETING
Pollock Pines Elementary School District
Fiscal Years 2009-10 through 2010-11

	Budget Fiscal Year <u>2009-10</u>	Audited Fiscal Year <u>2009-10</u>	Budget Fiscal Year <u>2010-11</u>	Audited Fiscal Year <u>2010-11</u>
REVENUES:				
Revenue Limit Sources:				
State Apportionment	\$1,504,020	\$1,419,914	\$1,215,216	\$1,548,065
Local Sources	<u>2,057,411</u>	<u>1,944,122</u>	<u>1,973,028</u>	<u>1,831,974</u>
Total Revenue Limit Sources	3,561,431	3,364,036	3,188,244	3,380,039
Federal Revenue	372,055	631,523	427,636	568,402
Other State Revenue	1,137,227	1,348,105	1,250,377	1,350,090
Other Local Revenue	<u>566,921</u>	<u>631,063</u>	<u>563,764</u>	<u>789,597</u>
TOTAL REVENUES	<u>5,637,634</u>	<u>5,974,727</u>	<u>5,430,021</u>	<u>6,088,128</u>
EXPENDITURES:				
Certificated Salaries	2,755,581	2,747,644	2,488,583	2,525,592
Classified Salaries	1,171,158	1,071,546	1,101,394	1,110,485
Employee Benefits	1,097,555	1,041,696	1,087,368	1,156,208
Books & Supplies	299,495	265,093	264,513	331,648
Services & Other Operating Expenditures	580,233	518,106	563,211	569,427
Capital Outlay	--	--	--	266,459
Debt Service – Principal Retirement	9,223	9,204	--	--
Debt Service – Interest and Fiscal Charges	125	120	--	--
Other Expenditures	<u>53,905</u>	<u>16,864</u>	<u>15,112</u>	<u>652</u>
TOTAL EXPENDITURES	<u>5,967,275</u>	<u>5,670,273</u>	<u>5,520,181</u>	<u>5,960,471</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(329,641)	304,454	(90,160)	127,657
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	--	<u>301</u>	--	<u>1,657</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	(329,641)	304,755	(90,160)	129,314
FUND BALANCE, JULY 1	<u>3,737,621</u>	<u>3,737,621</u>	<u>4,042,376</u>	<u>4,042,376</u>
FUND BALANCE, JUNE 30	<u>\$3,407,980</u>	<u>\$4,042,376</u>	<u>\$3,952,216</u>	<u>\$4,171,690</u>

Source: Pollock Pines Elementary School District.

GENERAL FUND BUDGETING
Pollock Pines Elementary School District
Fiscal Years 2011-12 through 2012-13

	Budget Fiscal Year <u>2011-12</u>	Actuals Fiscal Year <u>2011-12</u>	Adopted Budget <u>2012-13</u>	Projected Budget <u>2012-13</u>
REVENUES:				
Revenue Limit Sources:				
State Apportionment	\$1,611,912	\$1,583,531	\$1,585,222	\$1,646,431
Local Sources	<u>1,786,211</u>	<u>1,796,747</u>	<u>1,748,752</u>	<u>1,702,456</u>
Total Revenue Limit Sources	3,398,123	3,380,278	3,333,974	3,348,887
Federal Revenues	416,227	430,263	352,100	434,893
State Revenues	1,278,752	1,452,026	1,286,774	1,306,612
Local Revenues & Others	<u>586,078</u>	<u>733,261</u>	<u>620,901</u>	<u>633,825</u>
TOTAL REVENUES	<u>5,679,180</u>	<u>5,995,828</u>	<u>5,593,749</u>	<u>5,724,217</u>
EXPENDITURES:				
Certificated Salaries	2,532,865	2,561,119	2,423,686	2,442,733
Classified Salaries	1,127,660	1,101,177	1,114,563	1,125,796
Employee Benefits	1,150,342	1,142,374	1,205,720	1,218,133
Books and Supplies	251,030	362,946	251,488	260,800
Services and Other Operating Expenditures	601,715	632,337	689,861	758,768
Capital Outlay	--	278,144	--	--
Other Expenditures	<u>43,100</u>	<u>43,402</u>	<u>47,378</u>	<u>47,828</u>
TOTAL EXPENDITURES	<u>5,706,712</u>	<u>6,121,499</u>	<u>5,732,696</u>	<u>5,853,608</u>
Excess of Revenues Over (Under) Expenditures	(27,532)	(125,671)	(138,947)	(129,391)
OTHER FINANCING SOURCES				
Operating Transfers In	--	<u>810</u>	--	--
TOTAL OTHER FINANCING SOURCES				
NET CHANGE IN FUND BALANCES	(27,532)	(124,861)	(138,947)	(129,391)
FUND BALANCE, JULY 1	<u>4,171,690</u>	<u>4,171,690</u>	<u>4,046,829</u>	<u>4,046,829</u>
<u>FUND BALANCE, JUNE 30</u>	<u>\$4,144,158</u>	<u>\$4,046,829</u>	<u>\$3,907,882</u>	<u>\$3,917,438</u>

Source: Pollock Pines Elementary School District.

Accounting Practices

The accounting policies 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. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT

The information in this section concerning the operations of the District and the District's operating budget are 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 solely 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 and Sources for Payment” herein.

Introduction

The District serves Pollock Pines, an unincorporated area of the County, and is located 50 miles east of Sacramento and 45 miles west of Lake Tahoe. The District encompasses approximately 199 square miles and serves a population of approximately 6,871 residents. The District is an elementary school district serving students in kindergarten through eighth grades. The District operates Pinewood Elementary School for students in grades K-4 and Sierra Ridge Middle School for students in grades 5-8. The District also provides administrative services to the Silver Fork School District. The District’s average daily attendance (“ADA”) for fiscal year 2012-13 is estimated to be approximately 657 students. The District has a 2012-13 total assessed valuation of \$814,975,324.

Administration

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

BOARD OF TRUSTEES Pollock Pines Elementary School District

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
J. Dennis Cullen	President	December 2016
Susan McVey	Clerk	December 2014
Michael Bird	Member	December 2014
Dave Campbell	Member	December 2014
Thomas E. Griffin	Member	December 2016

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Kevin Monsma is currently the Superintendent of the District. Brief biographies of the Superintendent and Chief Fiscal Officer follow:

Kevin Monsma, Superintendent. Mr. Monsma has been a professional educator for over 24 years, during which time he has been a classroom teacher, a curriculum specialist, a district director, and an assistant superintendent. He has served as the Superintendent for the Pollock Pines and Silver Fork Elementary School Districts since July, 2010. Mr. Monsma has also served as an adjunct lecturer at California State University, Bakersfield, and Point Loma Nazarene University. He has a Bachelor’s Degree from Northern Arizona University, a Master’s Degree from California State University, Bakersfield, and a School Business Management Certificate from the University of Southern California.

Sean Martin, Chief Fiscal Officer. Mr. Martin has over 18 years of accounting and financial experience. He has held the positions of loan officer, Branch Manager, and Vice President in a credit union and has served as the Chief Fiscal Officer and Information Technology Director for Pollock Pines and Silver Fork Elementary School Districts for the last eight years. Mr. Martin has a Bachelor’s Degree in Business from California State University, Sacramento, and is recognized as a Certified Chief Business Official by the California Association of School Business Officials. He also currently serves as the Board President of the Placerville Union School District.

District Growth

The following table shows a five-year enrollment history for the District.

HISTORICAL ENROLLMENT Fiscal Years 2007-08 through 2012-13 Pollock Pines Elementary School District

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>% Change</u>
2007-08	769	--
2008-09	745	-3.1%
2009-10	721	-3.2
2010-11	699	-3.1
2011-12	704	0.7
2012-13 ⁽¹⁾	695	-1.3

⁽¹⁾ Projected.

Note: Except for fiscal year 2012-13, enrollment is as of the October report submitted to the California Basic Educational Data System ("CBEDS") in each school year.

Source: Pollock Pines Elementary School District.

Labor Relations

The District currently employs 33 full-time certificated employees and 17 full time classified employees. In addition, the District employ 22 part-time faculty and staff. District employees are not represented by any bargaining units.

Retirement Programs

The information set forth below regarding the District's retirement programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by any of the District, the Financial Advisor or the Underwriter.

CalSTRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("CalSTRS"). CalSTRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. The District is currently required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contribute 8% of their respective salaries. The State also contributes to CalSTRS, currently in an amount equal to 2.791% of teacher payroll. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution of 0.774% that will vary from year-to-year based on statutory criteria.

The District's contribution to CalSTRS was \$219,450 in fiscal year 2009-10, \$198,708 in fiscal year 2010-11, and \$202,105 in fiscal year 2011-12. The District has budgeted \$193,200 as its contribution to CalSTRS for fiscal year 2012-13.

CalPERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("CalPERS"). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The District is currently required to contribute to CalPERS at an actuarially determined rate, which is 11.417% of

eligible salary expenditures for fiscal year 2011-12, while participants contribute 7% of their respective salaries.

School district contributions to CalPERS are capped at 13.02% of gross expenditures for any given fiscal year. To the extent a district's contribution rate to CalPERS is less than 13.02%, the State will reduce the such district's revenue limit for that year by the difference between the maximum contribution rate and a district's actual contribution rate. Alternatively, if such district's contribution rate is greater than 13.02%, the State is required to provide additional revenue limit allocations to such district to make up the difference.

The District's contributions to CalPERS was \$119,326 in fiscal year 2009-10, \$135,885 in fiscal year 2010-11, and is estimated to be \$140,169 in fiscal year 2011-12. The District has budgeted \$151,532 as its contribution to CalPERS for fiscal year 2012-13.

State Pension Trusts. Each of CalSTRS and CalPERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of CalSTRS and CalPERS as follows: (i) CalSTRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) CalPERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of CalSTRS and CalPERS maintains a website, as follows: (i) CalSTRS: www.calstrs.com; (ii) CalPERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both CalSTRS and CalPERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions.

The following table summarizes information regarding the actuarially-determined accrued liability for both CalSTRS and CalPERS.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS
As of the June 30, 2011 Valuation Date
(Dollar Amounts in Millions)⁽¹⁾

<u>Plan</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets</u>	<u>Unfunded Liability</u>
Public Employees Retirement Fund (PERS)	\$58,358	\$45,901 ⁽²⁾	\$(12,457)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	208,405	143,930 ⁽³⁾	(64,475)

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ Reflects market value of assets as of June 30, 2011.

⁽³⁾ Reflects actuarial value of assets as of June 30, 2011.

Source: CalPERS State & Schools Actuarial Valuation; CalSTRS Defined Benefit Program Actuarial Valuation.

Unlike CalPERS, CalSTRS contribution rates for participant employers and employees, as well as the State's base contribution rate, are set by statute and do not currently vary from year-to-year based on actuarial valuations. In recent years, the combined employer, employee and State contributions to CalSTRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of CalSTRS has increased significantly. This unfunded liability is expected to continue to increase in the absence of legislation requiring additional or increased contributions. The District can make no representations regarding the future program liabilities of CalSTRS, or whether the District will be required to make larger contributions to CalSTRS in the future. The District can also provide no assurances that the District's required contributions to CalPERS will not increase in the future.

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use social security. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

Risk Management

The District is a member of the Schools Insurance Authority (SIA) joint powers authority ("JPA") for workers' compensation, property and liability insurance. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and/or provides coverage for its members. The JPA is governed by a board consisting of representatives from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

Comparative Financial Statements

The District's audited financial statements for the year ended June 30, 2012 are included for reference in APPENDIX B hereto. Audited financial statements for the District for the fiscal year ended June 30, 2012, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 2701 Amber Trail, Pollock Pines, California 95726; telephone: (530) 644-5416. The following tables reflect the District's revenues, expenditures and fund balances for fiscal years 2008-09 through 2011-12.

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AUDITED STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
Pollock Pines Elementary School District
2008-09 through 2011-12

	Audited Fiscal Year <u>2008-09</u>	Audited Fiscal Year <u>2009-10</u>	Audited Fiscal Year <u>2010-11</u>	Audited Fiscal Year <u>2011-12</u>
Revenue:				
Revenue Limit Sources:				
State Apportionment	\$1,852,652	\$1,419,914	\$1,548,065	\$1,583,531
Local Taxes	<u>2,081,785</u>	<u>1,944,122</u>	<u>1,831,974</u>	<u>1,796,747</u>
Total Revenue Limit Sources	3,934,437	3,364,036	3,380,039	3,380,278
Federal Revenue	591,127	631,523	568,402	430,263
State Revenues	1,226,690	1,348,105	1,350,090	1,452,026
Local Revenues	<u>701,962</u>	<u>631,063</u>	<u>789,597</u>	<u>733,261</u>
Total Revenue	6,454,216	5,974,727	6,088,128	5,995,828
Expenditures:				
Instruction	3,582,541	3,299,505	3,322,590	3,419,233
Supervision of instruction	336	--	13,275	--
Instructional library and technology	97,392	93,330	87,277	111,206
School site administration	476,912	469,214	469,226	460,730
Home-to-school transportation	418,679	396,121	547,041	693,791
Food Services	243	388		
Other pupil services	135,045	195,610	204,425	197,257
Data processing	11,030	10,883	14,878	20,463
Other general administration	615,195	608,897	603,955	589,476
Plant Services	534,507	538,994	565,048	555,099
Facility acquisition and construction	--	--	99,509	--
Ancillary Services	113,056	19,785	19,701	17,016
Community Services	--	--	--	--
Debt service- Principal	21,307	9,204	--	--
Debt service- Interest and Issuance Costs	1,219	120	--	--
Other outgo	<u>48,954</u>	<u>28,222</u>	<u>13,546</u>	<u>57,228</u>
Total Expenditures	<u>6,056,416</u>	<u>5,670,273</u>	<u>5,960,471</u>	<u>6,121,499</u>
Excess (deficiency) of revenues over expenditures	397,800	304,454	127,657	(125,671)
Other Financing Sources (Uses)				
Operating Transfers in	733,468	301	1,657	810
Operating Transfers out	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Other Financing Sources (Uses)	733,468	301	1,657	810
Net Change in Fund Balances	1,131,268	304,755	129,314	(124,861)
Beginning Balance	<u>2,606,353</u>	<u>3,737,621</u>	<u>4,042,376</u>	<u>4,171,690</u>
Ending Balance	<u>\$3,737,621</u>	<u>\$4,042,376</u>	<u>\$4,171,690</u>	<u>\$4,046,829</u>

Source: Pollock Pines Elementary School District.

District Debt Structure

Long-Term Liabilities. A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2012, is shown below:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Compensated Absences	\$47,100	\$60,073	\$47,100	\$60,073
Early Retirement Incentives	<u>136,919</u>	<u>134,500</u>	<u>58,355</u>	<u>213,064</u>
Total	<u>\$184,019</u>	<u>\$194,573</u>	<u>\$105,455</u>	<u>\$273,137</u>

Source: Pollock Pines Elementary School District.

Statement of Direct and Overlapping Debt. Set forth below is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc. and effective as of November 14, 2012. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency’s assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in the District.

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DIRECT AND OVERLAPPING DEBT STATEMENT
Pollock Pines Elementary School District

2012-13 Assessed Valuation: \$814,975,324

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/13</u>
Los Rios Community College District	0.576%	\$1,712,995
El Dorado Union High School District	4.722	3,360,879
Pollock Pines Elementary School District	100.000	--⁽¹⁾
El Dorado Irrigation District	4.188	<u>111,820</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$5,185,694
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Los Rios Community College District Certificates of Participation	0.576%	\$35,165
El Dorado Union High School District Certificates of Participation	4.722	<u>817,810</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$852,975
COMBINED TOTAL DEBT		\$6,038,669 ⁽²⁾

⁽¹⁾ Excludes issue to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2012-13 Assessed Valuation:

Direct Debt	- %
Total Direct and Overlapping Tax and Assessment Debt	0.64%
Combined Total Debt	0.74%

Source: California Municipal Statistics, Inc.

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TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, 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 calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner’s basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel’s opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner’s original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner’s basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX

TREATMENT OF THE BONDS OR THE MARKET VALUE OF THE BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE EXECUTION AND DELIVERY OF THE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed form of opinion of Bond Counsel for the Bonds is attached hereto as APPENDIX A.

LEGAL MATTERS

Legality for Investment in California

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

Continuing Disclosure

In connection with the issuance of the Bonds, the District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2012-13 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of material events will be filed by the District in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Reports or the notices of material events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS"

attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule. The District has not had any continuing disclosure obligations in the past five years.

No 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 questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue and retire the Bonds.

There are a number of lawsuits and claims pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the finances of the District.

Information Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date of this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Legal Opinion

The legal opinion of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers thereof without cost. A copy of the proposed form of such legal opinion for the Bonds is attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Rating

The Bonds have been assigned a rating of "A+" by Standard & Poor's Ratings Service ("S&P"). The rating reflects only the view of the rating agency, and any explanation of the significance of such rating should be obtained from the rating agency at the following address: Standard & Poor's, 55 Water Street, 45th Floor, New York, New York 10041. There is no assurance that the rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of the rating agency, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Bonds.

Financial Statements

Excerpts from the financial statements with supplemental information for the year ended June 30, 2012, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report of Stephen Roatch Accountancy Corporation (the "Auditor"), are included in this Official Statement as APPENDIX B. In connection with the inclusion herein, the District did

not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Underwriting

The Bonds are being purchased by E. J. De La Rosa & Co., Inc. (the “Underwriter”). The Underwriter has agreed, pursuant to a purchase contract by and between the District and the Underwriter (the “Purchase Contract”), to purchase all of the Bonds for a purchase price of \$_____ (which is equal to the principal amount thereof plus original issue premium of \$_____, less Underwriter’s discount of \$_____, and less \$_____ to be retained by the Underwriter to pay costs of issuance).

The Purchase Contract related to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth therein, the approval of certain legal matters by bond counsel and certain other conditions. The initial offering prices stated on the cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices. The offering prices may be changed from time to time by the Underwriter.

Additional Information

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

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

**POLLOCK PINES ELEMENTARY SCHOOL
DISTRICT**

By: _____
Kevin Monsma
Superintendent

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APPENDIX A

FORM OF OPINION OF BOND COUNSEL FOR THE BONDS

_____, 2013

Board of Trustees
Pollock Pines Elementary School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$_____ Pollock Pines Elementary School District (El Dorado County, California) Election of 2012 General Obligation Bonds, Series A (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, a fifty-five percent vote of the qualified electors of the Pollock Pines Elementary School District (the "District") voting at an election held on June 5, 2012 and a resolution of the Board of Trustees of the District (the "Resolution").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, 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 calculating the federal alternative minimum tax imposed on individuals and corporations. It should be noted that, with respect to corporations, such interest is may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX B

EXCERPTS FROM THE DISTRICT'S 2011-12 AUDITED FINANCIAL STATEMENTS

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**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
COUNTY OF EL DORADO
POLLOCK PINES, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2012

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT

JUNE 30, 2012

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POLLOCK PINES ELEMENTARY SCHOOL DISTRICT

JUNE 30, 2012

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Pollock Pines Elementary School District
Pollock Pines, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pollock Pines Elementary School District, as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pollock Pines Elementary School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pollock Pines Elementary School District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2012 on our consideration of the Pollock Pines Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and the budgetary comparison information on pages 37 and 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pollock Pines Elementary School District's financial statements as a whole. The accompanying supplementary schedules listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

November 20, 2012

**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

This section of the Pollock Pines Elementary School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 and 2, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities, presented on pages 14 and 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 19, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statement provides financial information about activities for which the District acts solely as an agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- The District's financial status declined slightly during fiscal year 2011-12 as total net assets decreased 3.9%.
- On the Statement of Activities, total current year expenses exceeded total current year revenues by \$345,116.
- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total current year expenditures and other financing uses exceeded total current year revenues and other financing sources by \$187,623.
- Capital assets, net of depreciation, decreased \$68,375, due to the current year addition of \$205,088 of new capital assets, net of canceled projects, and the current year recognition of \$273,463 of depreciation expense.
- Total long-term liabilities increased \$89,118, due to the District's increased obligations for compensated absences and early retirement incentives.
- The District's P-2 ADA decreased from 667 in fiscal year 2010-11, down to 658 in fiscal year 2011-12, a decline of 1.3%.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 4% of general fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2011-12, General Fund expenditures and other financing uses totaled \$6,121,499. At June 30, 2012, the District has available reserves of \$1,644,841 in the General Fund, which represents a reserve of 26.9%.
- Measure K was approved on June 5, 2012, which authorizes the District to issue up to \$9 million of bonds to acquire, construct, repair and equip school facilities.

**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and Management's Discussion and Analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, district-wide and funds.

- District-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
 - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
 - ❖ Financial relationships, for which the District acts as an agent for the benefit of others to whom the resources belong, are presented in the fiduciary fund statement.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

Reporting the District as a Whole

The District as a whole is reported in the District-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Assets. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health or position (net assets) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net assets of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities:

Governmental Activities:

The basic services provided by the District, such as regular and special education, administration, and special education transportation are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition are also included here, but are financed by a combination of local revenues and state and federal programs.

Business-type Activities:

The District does not provide any services that should be included in this category.

Reporting the District's Most Significant Funds

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

Governmental Funds:

The major governmental funds of the Pollock Pines Elementary School District are the General Fund, Cafeteria Fund, Capital Facilities Fund, and Capital Projects - Special Reserve Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Proprietary Funds:

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as business-type activities; therefore no reconciling entries are required. Internal service funds are reported with the Governmental Funds. The District has no fund of this type.

Fiduciary Funds:

The District is the fiduciary for its student activity funds. All of the District's fiduciary activities are reported in a separate Fiduciary Statement. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's total net assets decreased from \$8,937,604 at June 30, 2011, down to \$8,592,488 at June 30, 2012, a decrease of 3.9%.

<u>Comparative Statement of Net Assets</u>		
	Governmental Activities	
	2011	2012
<u>Assets</u>		
Deposits and Investments	\$ 3,750,695	\$ 3,242,237
Receivables	892,012	1,245,093
Inventories	1,946	1,765
Capital Assets, net	4,541,688	4,473,313
Total Assets	<u>9,186,341</u>	<u>8,962,408</u>
<u>Liabilities</u>		
Current	170,263	282,460
Long-Term	78,474	94,410
Total Liabilities	<u>248,737</u>	<u>376,870</u>
<u>Net Assets</u>		
Invested in Capital Assets	4,541,688	4,473,313
Restricted	484,214	223,909
Unrestricted	3,911,702	3,895,266
Total Net Assets	<u>\$ 8,937,604</u>	<u>\$ 8,592,488</u>

Table includes financial data of the combined governmental funds

**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year expenses exceeded current year revenues by \$345,116.

	Governmental Activities	
	2011	2012
<u>Program Revenues</u>		
Charges for Services	\$ 112,917	\$ 133,136
Operating Grants & Contributions	1,580,960	1,540,755
<u>General Revenues</u>		
Taxes Levied	1,831,974	1,796,748
Federal & State Aid	2,611,495	2,589,436
Interest & Investment Earnings	11,128	9,397
Transfers from Other Agencies	206,331	204,128
Miscellaneous	22,214	28,586
Total Revenues	6,377,019	6,302,186
<u>Expenses</u>		
Instruction	3,338,413	3,671,490
Instruction-Related Services	595,435	596,763
Pupil Services	880,344	940,063
General Administration	648,652	744,370
Plant Services	595,581	620,372
Ancillary Services	19,701	17,016
Other Outgo	13,546	57,228
Total Expenses	6,091,672	6,647,302
Changes in Net Assets	\$ 285,347	\$ (345,116)

Table includes financial data of the combined governmental funds

**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

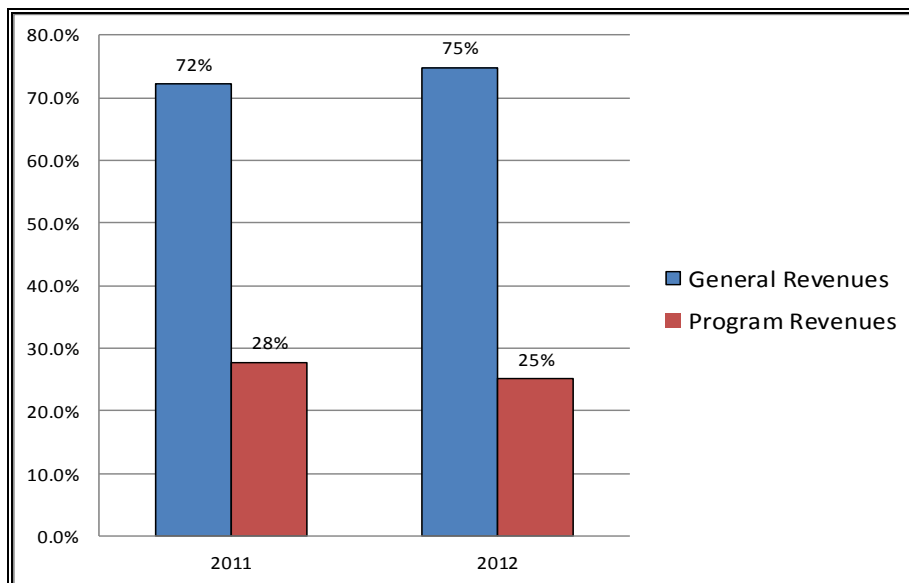
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

	Total Cost of Services		Net Cost of Services	
	2011	2012	2011	2012
Instruction	\$ 3,338,413	\$ 3,671,490	\$ 2,664,818	\$ 3,093,300
Instruction-Related Services	595,435	596,763	559,900	555,237
Pupil Services	880,344	940,063	32,990	12,611
General Administration	648,652	744,370	553,206	675,600
Plant Services	595,581	620,372	567,180	590,990
Other Expenses	33,247	74,244	19,701	45,673
Totals	\$ 6,091,672	\$ 6,647,302	\$ 4,397,795	\$ 4,973,411

Table includes financial data of the combined governmental funds

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$4,973,411 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



Program revenues financed 25% of the total cost of providing the services listed above, while the remaining 75% was financed by the general revenues of the District.

**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

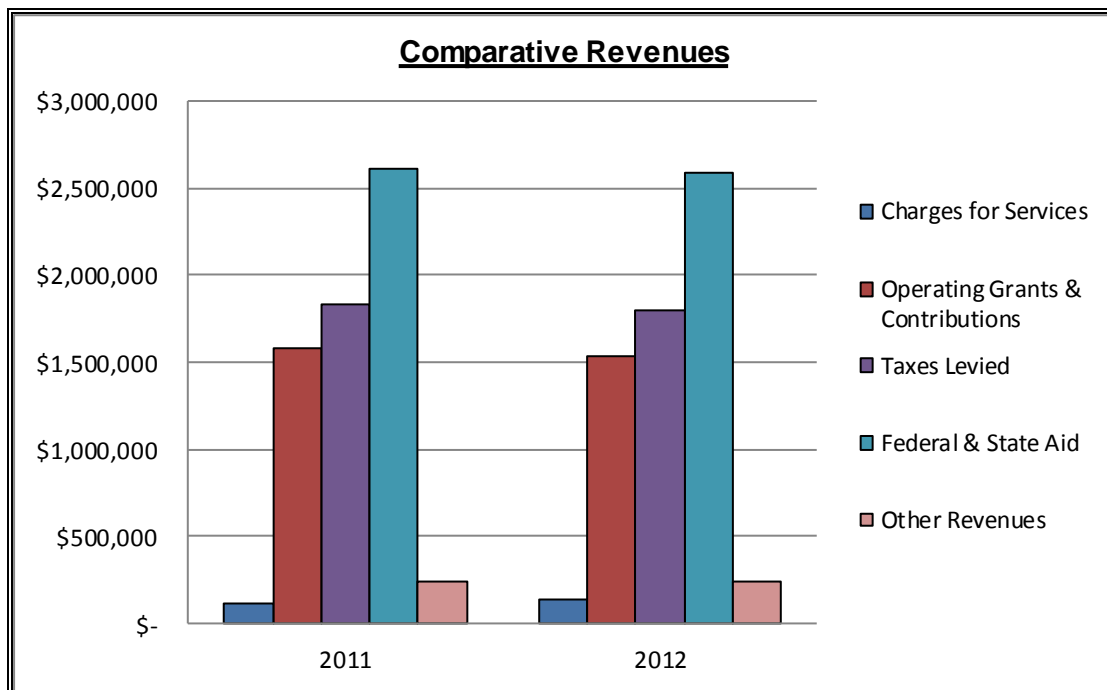
(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Summary of Revenues For Governmental Functions</u>				
	<u>FYE 2011 Amount</u>	<u>Percent of Total</u>	<u>FYE 2012 Amount</u>	<u>Percent of Total</u>
<u>Program Revenues</u>				
Charges for Services	\$ 112,917	1.77%	\$ 133,136	2.11%
Operating Grants & Contributions	1,580,960	24.79%	1,540,755	24.45%
<u>General Revenues</u>				
Taxes Levied	1,831,974	28.73%	1,796,748	28.51%
Federal & State Aid	2,611,495	40.95%	2,589,436	41.09%
Other Revenues	239,673	3.76%	242,111	3.84%
Total Revenues	<u>\$ 6,377,019</u>	<u>100.00%</u>	<u>\$ 6,302,186</u>	<u>100.00%</u>

Table includes financial data of the combined governmental funds



**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

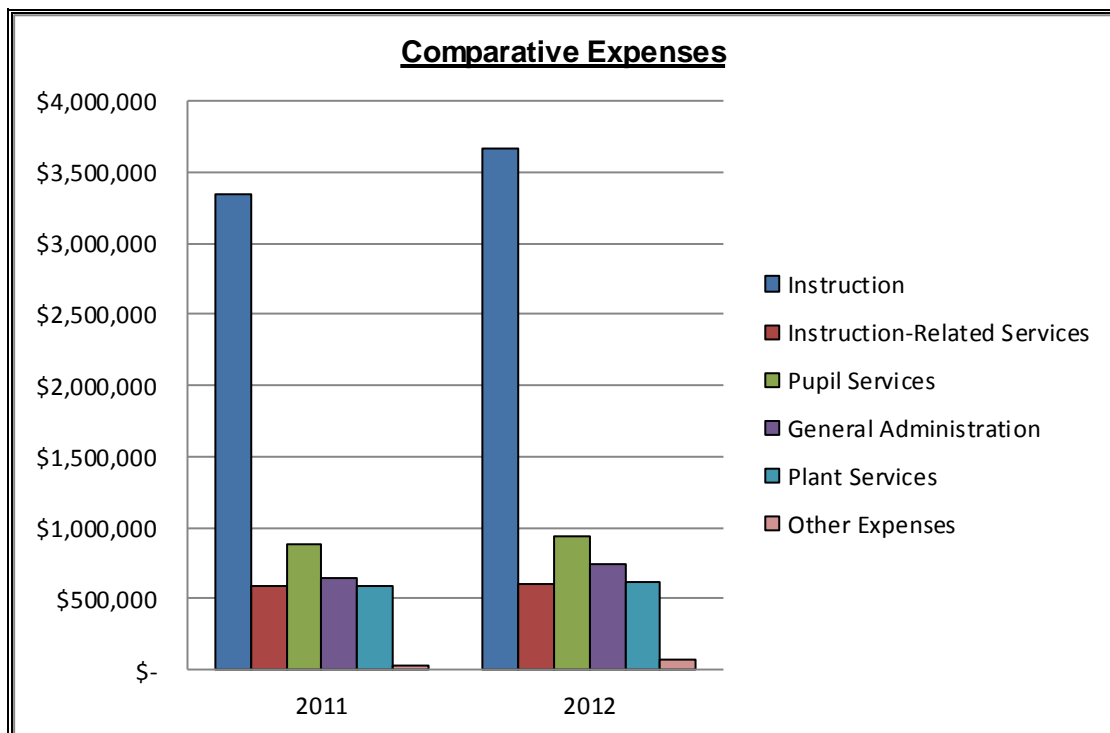
GOVERNMENTAL ACTIVITIES (CONTINUED)

Schedule of Expenses For Governmental Functions

<u>Expenses</u>	<u>FYE 2011 Amount</u>	<u>Percent of Total</u>	<u>FYE 2012 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 3,338,413	54.80%	\$ 3,671,490	55.23%
Instruction-Related Services	595,435	9.77%	596,763	8.98%
Pupil Services	880,344	14.45%	940,063	14.14%
General Administration	648,652	10.65%	744,370	11.20%
Plant Services	595,581	9.78%	620,372	9.33%
Other Expenses	33,247	0.55%	74,244	1.12%
Total Expenses	\$ 6,091,672	100.00%	\$ 6,647,302	100.00%

Table includes financial data of the combined governmental funds

Comparative Expenses



**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONCLUDED)

GOVERNMENTAL ACTIVITIES (CONCLUDED)

	Governmental Activities	
	2011	2012
	_____	_____
Land	\$ 96,376	\$ 96,376
Sites and Improvements	831,899	831,899
Buildings and Improvements	7,217,777	7,217,777
Furniture and Equipment	1,532,077	1,836,674
Work-in-Progress	99,509	0
	_____	_____
Subtotals	9,777,638	9,982,726
Less: Accumulated Depreciation	(5,235,950)	(5,509,413)
	_____	_____
Capital Assets, net	<u>\$ 4,541,688</u>	<u>\$ 4,473,313</u>

Capital assets, net of depreciation, decreased \$68,375, due to the current year addition of \$205,088 of new capital assets, net of canceled projects, and the current year recognition of \$273,463 of depreciation expense.

	Governmental Activities	
	2011	2012
	_____	_____
Compensated Absences	\$ 47,100	\$ 60,073
Early Retirement Incentives	136,919	213,064
	_____	_____
Totals	<u>\$ 184,019</u>	<u>\$ 273,137</u>

Total long-term liabilities increased \$89,118, due to the District's increased obligations for compensated absences and early retirement incentives.

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to future debt retirement dates.

**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

<u>Comparative Schedule of Fund Balances</u>			
	Fund Balances June 30, 2011	Fund Balances June 30, 2012	Increase (Decrease)
General	\$ 4,171,690	\$ 4,046,829	\$ (124,861)
Cafeteria	74,346	60,641	(13,705)
Capital Facilities	0	16,812	16,812
Capital Projects - Special Reserve	333,899	268,030	(65,869)
Totals	\$ 4,579,935	\$ 4,392,312	\$ (187,623)

The fund balance of the General Fund decreased \$124,861, while the combined fund balances of all other funds decreased \$62,762.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim. The original budget presented on page 37 includes only new revenues for 2011-12.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- With the approval of Measure K in June 2012, the District is expected to be heavily involved in construction activities during fiscal year 2012-13 and future years.
- Based upon the most recent student enrollment information, available, the District will likely continue to experience declining enrollment during fiscal year 2012-13. Since student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California, the District will likely experience a corresponding decline in future funding. Since revenue limit funding is generally based on the ADA of the current fiscal year or the prior fiscal year, whichever is most beneficial, the District's 2012-13 revenue limit funding will most likely be based on fiscal year 2011-12 P-2 ADA.
- Due to the unprecedented nature of the current State and Federal fiscal crisis, the amount of funding that will be available to the District remains uncertain. As a result, management will need to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(PREPARED BY DISTRICT MANAGEMENT)

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Pollock Pines Elementary School District, 2701 Amber Trail, Pollock Pines, California 95726.

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 3,242,237
Receivables (Note 4)	1,245,093
Stores Inventory (Note 1H)	1,765
Prepaid Expenses (Note 1H)	6,950
Capital Assets: (Note 6)	
Land	96,376
Sites and Improvements	831,899
Buildings and Improvements	7,217,777
Furniture and Equipment	1,836,674
Less: Accumulated Depreciation	(5,509,413)
	8,969,358
Total Assets	8,969,358
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	103,733
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences	60,073
Early Retirement Incentives	118,654
<i>Portion Due or Payable After One Year:</i>	
Early Retirement Incentives (Note 7)	94,410
	376,870
Total Liabilities	376,870
<u>Net Assets</u>	
Investment in Capital Assets	4,473,313
Restricted:	
For Capital Projects	16,812
For Educational Programs	138,506
For Other Purposes	68,591
Unrestricted	3,895,266
	8,592,488
Total Net Assets	\$ 8,592,488

**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>					
Instruction	\$ 3,671,490	\$ 28,439	\$ 549,751		\$ (3,093,300)
Instruction-Related Services:					
Instructional Library and Technology	116,033	281	20,462		(95,290)
School Site Administration	480,730	1,372	19,411		(459,947)
Pupil Services:					
Home-to-School Transportation	433,690	23,557	509,307		99,174
Food Services	300,553	69,214	205,758		(25,581)
Other Pupil Services	205,820	1,122	118,494		(86,204)
General Administration:					
Data Processing Services	21,351				(21,351)
Other General Administration	723,019	5,365	63,405		(654,249)
Plant Services	620,372	1,772	27,610		(590,990)
Ancillary Services	17,016	82	411		(16,523)
Other Outgo	57,228	1,932	26,146		(29,150)
Total Governmental Activities	<u>\$ 6,647,302</u>	<u>\$ 133,136</u>	<u>\$ 1,540,755</u>	<u>\$ 0</u>	<u>(4,973,411)</u>
<u>General Revenues</u>					
Taxes Levied for General Purposes					1,796,748
Federal and State Aid - Unrestricted					2,589,436
Interest and Investment Earnings					9,397
Transfers from Other Agencies					204,128
Miscellaneous					28,586
Total General Revenues					<u>4,628,295</u>
Change in Net Assets					(345,116)
Net Assets - July 1, 2011					<u>8,937,604</u>
Net Assets - June 30, 2012					<u>\$ 8,592,488</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General</u>	<u>Cafeteria</u>	<u>Capital Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Deposits and Investments (Note 2)	\$ 2,876,654	\$ 45,116	\$ 16,812	\$ 303,655	\$ 3,242,237
Receivables (Note 4)	1,217,457	27,636			1,245,093
Due from Other Funds (Note 5)	49,451				49,451
Stores Inventory (Note 1H)		1,765			1,765
Prepaid Expenditures (Note 1H)	6,950				6,950
Total Assets	<u>\$ 4,150,512</u>	<u>\$ 74,517</u>	<u>\$ 16,812</u>	<u>\$ 303,655</u>	<u>\$ 4,545,496</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 103,683	\$ 50			\$ 103,733
Due to Other Funds (Note 5)		13,826		\$ 35,625	49,451
Total Liabilities	<u>103,683</u>	<u>13,876</u>		<u>35,625</u>	<u>153,184</u>
Fund Balances: (Note 9)					
Nonspendable	7,950	2,265			10,215
Restricted	138,506	58,376	\$ 16,812		213,694
Assigned	2,255,532			268,030	2,523,562
Unassigned	1,644,841				1,644,841
Total Fund Balances	<u>4,046,829</u>	<u>60,641</u>	<u>16,812</u>	<u>268,030</u>	<u>4,392,312</u>
Total Liabilities and Fund Balances	<u>\$ 4,150,512</u>	<u>\$ 74,517</u>	<u>\$ 16,812</u>	<u>\$ 303,655</u>	<u>\$ 4,545,496</u>

**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total Fund Balances - Governmental Funds	\$	4,392,312
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Amounts reported for governmental activities in the statement of net assets are different due to the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The amount that capital assets exceeded accumulated depreciation was:

Capital Assets	\$	9,982,726	
Accumulated Depreciation		(5,509,413)	
			4,473,313

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

Compensated Absences	\$	60,073	
Early Retirement Incentives		213,064	
			(273,137)

Total Net Assets - Governmental Activities	\$	<u><u>8,592,488</u></u>
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**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General</u>	<u>Cafeteria</u>	<u>Capital Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
Revenue Limit Sources:					
State Apportionment	\$ 1,583,531				\$ 1,583,531
Local Taxes	1,796,747				1,796,747
Total Revenue Limit Sources	3,380,278				3,380,278
Federal Revenue	430,263	\$ 197,223			627,486
State Revenue	1,452,026	18,109			1,470,135
Local Revenue	733,261	72,838	\$ 17,331	\$ 857	824,287
Total Revenues	5,995,828	288,170	17,331	857	6,302,186
<u>Expenditures</u>					
Instruction	3,419,233				3,419,233
Instructional Library and Technology	111,206				111,206
School Site Administration	460,730				460,730
Home-To-School Transportation	693,791				693,791
Food Services		288,049			288,049
Other Pupil Services	197,257				197,257
Data Processing Services	20,463				20,463
Other General Administration	589,476	13,826	519		603,821
Plant Services	555,099			65,916	621,015
Ancillary Services	17,016				17,016
Other Outgo	57,228				57,228
Total Expenditures	6,121,499	301,875	519	65,916	6,489,809
Excess of Revenues Over (Under) Expenditures	(125,671)	(13,705)	16,812	(65,059)	(187,623)
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In	810				810
Operating Transfers Out				(810)	(810)
Total Other Financing Sources (Uses)	810	0	0	(810)	0
Net Change in Fund Balances	(124,861)	(13,705)	16,812	(65,869)	(187,623)
Fund Balances - July 1, 2011	4,171,690	74,346	0	333,899	4,579,935
Fund Balances - June 30, 2012	\$ 4,046,829	\$ 60,641	\$ 16,812	\$ 268,030	\$ 4,392,312

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balances - Governmental Funds \$ (187,623)

Amounts reported for governmental activities in the statement of activities are different due to the following:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeded depreciation expense during the fiscal year:

Capital Outlays	\$ 304,597	
Depreciation Expense	<u>(273,463)</u>	
		31,134

Cost write-off for canceled capital projects: If a planned capital project is canceled and will not be completed, costs previously capitalized as work-in-progress must be written off to expense. Costs written off for canceled projects were: (99,509)

In the statement of activities, certain operating expenses-compensated absences (vacations) is measured by the amounts earned during the fiscal year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amounts earned exceeded amounts used by: (12,973)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of long-term debt were:

Early Retirement Incentives		<u>(76,145)</u>
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Change in Net Assets of Governmental Activities \$ (345,116)

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Agency Funds	Total Fiduciary Funds
<u>Assets</u>		
Deposits and Investments (Note 2)	\$ 1,201	\$ 1,201
Total Assets	1,201	1,201
<u>Liabilities</u>		
Due to Student Groups	1,201	1,201
Total Liabilities	1,201	1,201
<u>Net Assets</u>		
Restricted	0	0
Total Net Assets	\$ 0	\$ 0

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Pollock Pines Elementary School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Trustees elected by registered voters of the District, which comprises an area in El Dorado County. The District was established in 1889 and serves students in kindergarten through grade eight.

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

The District has reviewed criteria to determine whether other organizations with activities that benefit the District should be included within its financial reporting entity under GASB Statement No. 14 (GASB 14), *The Financial Reporting Entity*. The criteria include, but are not limited to, whether the organization exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship. The District has determined that there are no organizations, with financial activities that benefit the District, which should be included within its financial reporting entity under GASB 14.

The District has also reviewed criteria to determine whether other organizations, for which the District is not financially accountable, should be reported within its financial reporting entity, based on the nature and significance of its relationship with the District, under GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*. In order for an organization to be classified as a component unit, all of the GASB 39 criteria must be met, as follows:

- The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government or its component units.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization.
- The economic resources received or held by the organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The District has determined that there are no organizations, for which the District is not financially accountable, which should be reported within its financial reporting entity under GASB 39.

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statement but differ from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary fund use the accrual basis of accounting.

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

For the District, "available" means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state apportionments, the California Department of Education has defined available as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/Expenditures:

On an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

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

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District's accounts are organized into major and fiduciary funds as follows:

Major Governmental Funds:

General Fund is the primary operating fund of the District. It is used to account for and report all financial resources not accounted for and reported in another fund.

Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria program.

Capital Facilities Fund is used to account for revenues received from developer impact fees assessed under provisions of the California Quality Act (CEQA).

Capital Projects - Special Reserve Fund is used to account for resources committed to construction and acquisition of capital projects and site improvements as determined by the Board.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for the two student body accounts. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, and educational experience of the student body.

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law, the District's Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund and the Cafeteria Fund as required supplementary information on pages 37 and 38.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account (See Note 3).

F. Use of Estimates

The preparation of financial statements in conformity with principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Encumbrances

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

H. Assets, Liabilities and Equity

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001).

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

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Concluded)

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

2. Stores Inventory

Stores inventory is recorded using the purchase method in that the cost (handling charge for state surplus food) is recorded as an expenditure at the time individual inventory items are purchased. Inventory is valued at average cost and consists of expendable supplies held for consumption.

Reported inventories are equally offset by a net assets reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	20
Buildings and Improvements	25-50
Furniture and Equipment	5-20

4. Deferred Revenue

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

5. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements.

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

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

6. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Assets. In fund financial statements, the face amount of the obligation is reported as other financing sources, when issued.

7. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance consists of funds that are set aside for a specific purpose by the district's highest level of decision making authority (governing board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the district's highest level of decision making authority or a body or official that has been given the authority to assign funds. In accordance with board policy, the Superintendent and Chief Financial Officer have been given this authority.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. In accordance with board policy, the District intends to maintain a minimum Reserve for Economic Uncertainties, consisting of unassigned amounts equal to 4% of General Fund expenditures and other financing uses.

The District considers restricted fund balances to have been spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Assets, Liabilities and Equity (Concluded)

8. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The County of El Dorado is responsible for assessing, collecting and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District. The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the state apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the applicable attendance period ADA to derive the District's total entitlement.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2012, consist of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash on Hand and in Banks	\$ 500	\$ 1,201
Cash in Revolving Fund	1,000	
County Pool Investments	<u>3,240,737</u>	<u> </u>
Total Deposits and Investments	<u>\$ 3,242,237</u>	<u>\$ 1,201</u>

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash on Hand and in Banks

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District, exclusive of amounts held in revolving funds.

Cash in Revolving Fund

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds.

County Pool Investments

County pool investments consist of District cash held by the El Dorado County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio).

General Authorization

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the following schedule:

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

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Segmented Time Distribution

Information about the sensitivity of the fair value of the District's investment to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1 Year</u>
County Pool Investments	\$ 3,240,737	\$ 3,244,134	\$ 2,743,512	\$ 497,225

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Unrated</u>
County Pool Investments	\$ 3,240,737	\$ 3,244,134			\$ 3,240,737

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. However, the District does not hold any investments in any one issuer, at year-end, that represents five percent or more of the total investments held by the District.

Custodial Credit Risk - Deposits

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

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Custodial Credit Risk - Investments

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2012, the District does not have any investments that are held by counterparties.

Derivative Investments

The District does not directly invest in any derivative investments. Information relating to the use of derivative investments by the El Dorado County Treasury was not available.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds were as follows:

<u>Cafeteria Fund</u>	<u>Excess Expenditures</u>
Food and Supplies	\$ 6,205
Other Expenditures	926

The District incurred unanticipated expenditures in each of the above expenditure classifications for which the budget was not revised.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2012 consist of the following:

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Totals</u>
Federal Government	\$ 67,828	\$ 25,002	\$ 92,830
State Government	934,287	2,293	936,580
Local Governments	99,083		99,083
Miscellaneous	<u>116,259</u>	<u>341</u>	<u>116,600</u>
Totals	<u>\$ 1,217,457</u>	<u>\$ 27,636</u>	<u>\$ 1,245,093</u>

NOTE 5 - INTERFUND ACTIVITIES

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - INTERFUND ACTIVITIES (CONCLUDED)

A. Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2012 are as follows:

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 49,451	
Cafeteria		\$ 13,826
Capital Projects - Special Reserve		<u>35,625</u>
Totals	<u>\$ 49,451</u>	<u>\$ 49,451</u>

All interfund receivables and payables are scheduled to be paid within one year.

B. Interfund Transfers

Interfund transfers for fiscal year 2011-12 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 810	
Capital Projects - Special Reserve		<u>\$ 810</u>
Totals	<u>\$ 810</u>	<u>\$ 810</u>

Transfer of \$810 from the Capital Projects - Special Reserve Fund to the General Fund to reimburse snow plow installation.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Balances July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2012</u>
Land	\$ 96,376			\$ 96,376
Sites and Improvements	831,899			831,899
Buildings and Improvements	7,217,777			7,217,777
Furniture and Equipment	1,532,077	\$ 304,597		1,836,674
Work-in-Progress	99,509		\$ 99,509	0
Totals at Historical Cost	<u>9,777,638</u>	<u>304,597</u>	<u>99,509</u>	<u>9,982,726</u>
Less Accumulated Depreciation for:				
Sites and Improvements	606,057	13,819		619,876
Buildings and Improvements	3,637,164	156,710		3,793,874
Furniture and Equipment	992,729	102,934		1,095,663
Total Accumulated Depreciation	<u>5,235,950</u>	<u>273,463</u>	<u>0</u>	<u>5,509,413</u>
Governmental Activities Capital Assets, net	<u>\$ 4,541,688</u>	<u>\$ 31,134</u>	<u>\$ 99,509</u>	<u>\$ 4,473,313</u>

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 152,748
Instructional Library and Technology	4,827
School Site Administration	20,000
Home-To-School Transportation	18,043
Food Services	12,504
Other Pupil Services	8,563
Data Processing	888
Other General Administration	30,080
Plant Services	<u>25,810</u>
Total Depreciation Expense	<u>\$ 273,463</u>

NOTE 7 - EARLY RETIREMENT INCENTIVES

In addition to the retirement plans discussed in Note 10, the District provides an early retirement incentive plan, to provide a phase-out program for those teachers who have provided long service to the District. The District offered two different programs. Each program had different payment offers, but both required employees to have completed a minimum of 15 years of satisfactory service in the District; be between the ages of 55 and 64, and resign from the District and take STRS retirement at the time they enter the program.

Future estimated payments scheduled to be made under these plans are as follows:

Year Ended <u>June 30</u>	Early Retirement <u>Incentives</u>
2013	\$ 118,654
2014	62,064
2015	<u>32,346</u>
Total	<u>\$ 213,064</u>

NOTE 8 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2012, is shown below:

	Balances <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	Balances <u>June 30, 2012</u>	<u>Due within One Year</u>
Compensated Absences	\$ 47,100	\$ 60,073	\$ 47,100	\$ 60,073	\$ 60,073
Early Retirement Incentives	<u>136,919</u>	<u>134,500</u>	<u>58,355</u>	<u>213,064</u>	<u>118,654</u>
Totals	<u>\$ 184,019</u>	<u>\$ 194,573</u>	<u>\$ 105,455</u>	<u>\$ 273,137</u>	<u>\$ 178,727</u>

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - FUND BALANCES

The fund balances as of June 30, 2012 are as follows:

	General Fund	Cafeteria Fund	Capital Facilities Fund	Capital Projects - Special Reserve Fund	Totals
Nonspendable	\$ 7,950	\$ 2,265			\$ 10,215
Restricted	138,506	58,376	\$ 16,812		213,694
Assigned	2,255,532			\$ 268,030	2,523,562
Unassigned:					
Economic Uncertainties	237,000				237,000
Other	1,407,841				1,407,841
Total Fund Balances	<u>\$ 4,046,829</u>	<u>\$ 60,641</u>	<u>\$ 16,812</u>	<u>\$ 268,030</u>	<u>\$ 4,392,312</u>

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS

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

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$202,105, \$198,708, and \$219,450, respectively, and equal 100% of the required contributions for each year.

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-12 was 10.923%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$140,169, \$135,885, and \$119,326, respectively, and equal 100% of the required contributions for each year.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. The District contributes 6.2% of an employee's gross earnings. In addition, the employees were required to contribute 4.2% of their gross earnings from July 2011 through June 2012.

NOTE 11 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the California State Teachers' Retirement System (CalSTRS) for K-12 Education. These payments consist of state general fund contributions of \$129,143 to CalSTRS (4.855% of creditable compensation subject to CalSTRS).

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011-12, the District participated in one joint powers authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year.

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - JOINT VENTURE

The District participates in one joint venture under a joint powers agreement with Schools Insurance Authority (SIA) for workers' compensation, property and liability insurance. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and/or provides coverage for its members. The JPA is governed by a boards consisting of representatives from each member district. The boards control the operations of the JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

The JPA is audited on an annual basis. Financial information can be obtained by contacting the JPA's Management.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Litigation

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

SUPPLEMENTARY INFORMATION SECTION

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Revenue Limit Sources:				
State Apportionment	\$ 1,611,912	\$ 1,569,356	\$ 1,583,531	\$ 14,175
Local Sources	1,786,211	1,808,516	1,796,747	(11,769)
Total Revenue Limit Sources	3,398,123	3,377,872	3,380,278	2,406
Federal Revenue	416,227	423,110	430,263	7,153
Other State Revenue	1,278,752	1,320,003	1,452,026	132,023
Other Local Revenue	586,078	886,349	733,261	(153,088)
Total Revenues	5,679,180	6,007,334	5,995,828	(11,506)
<u>Expenditures</u>				
Certificated Salaries	2,532,865	2,571,551	2,561,119	10,432
Classified Salaries	1,127,660	1,107,289	1,101,177	6,112
Employee Benefits	1,150,342	1,145,389	1,142,374	3,015
Books and Supplies	251,030	404,000	362,946	41,054
Services and Other				
Operating Expenditures	601,715	701,912	632,337	69,575
Capital Outlay		278,144	278,144	
Other Expenditures	43,100	44,100	43,402	698
Total Expenditures	5,706,712	6,252,385	6,121,499	130,886
Excess of Revenues (Under) Expenditures	(27,532)	(245,051)	(125,671)	119,380
<u>Other Financing Sources</u>				
Operating Transfers In			810	810
Net Change in Fund Balances	(27,532)	(245,051)	(124,861)	\$ 120,190
Fund Balances - July 1, 2011	4,171,690	4,171,690	4,171,690	
Fund Balances - June 30, 2012	\$ 4,144,158	\$ 3,926,639	\$ 4,046,829	

**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CAFETERIA FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Federal Revenue	\$ 180,000	\$ 190,000	\$ 197,223	\$ 7,223
Other State Revenue	15,000	18,000	18,109	109
Other Local Revenue	65,000	70,000	72,838	2,838
Total Revenues	<u>260,000</u>	<u>278,000</u>	<u>288,170</u>	<u>10,170</u>
<u>Expenditures</u>				
Classified Salaries	102,030	106,019	105,469	550
Employee Benefits	40,938	40,673	40,194	479
Food and Supplies	91,000	114,000	120,205	(6,205)
Services and Other				
Operating Expenditures	25,200	24,000	22,181	1,819
Other Expenditures	12,900	12,900	13,826	(926)
Total Expenditures	<u>272,068</u>	<u>297,592</u>	<u>301,875</u>	<u>(4,283)</u>
Net Change in Fund Balances	(12,068)	(19,592)	(13,705)	<u>\$ 5,887</u>
Fund Balances - July 1, 2011	<u>74,346</u>	<u>74,346</u>	<u>74,346</u>	
Fund Balances - June 30, 2012	<u>\$ 62,278</u>	<u>\$ 54,754</u>	<u>\$ 60,641</u>	

**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

ORGANIZATION

The District is located in Pollock Pines, California. There was no change in District boundaries during the year. The District currently operates one elementary school and one middle school.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Dennis Cullen	President	December, 2012
Susan McVey	Clerk	December, 2014
Thomas Griffin	Member	December, 2012
Michael Bird	Member	December, 2014
Dave Campbell	Member	December, 2014

ADMINISTRATION

Kevin Monsma
Superintendent

Sean Martin
Chief Fiscal Officer

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Second Period <u>Report</u>	Annual <u>Report</u>
<u>Elementary</u>		
Kindergarten	66.91	66.78
First through Third	219.50	220.68
Fourth through Sixth	212.23	211.54
Seventh and Eighth	148.10	146.74
Home and Hospital	0.00	0.29
Special Education	8.20	7.92
Special Education - Nonpublic	2.61	2.62
Extended Year	0.06	0.37
	<u>657.61</u>	<u>656.94</u>
Totals	<u>657.61</u>	<u>656.94</u>

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>Adjusted 1982-83 Actual Minutes</u>	<u>1986-87 Minutes Required</u>	<u>Adjusted 1986-87 Minutes Required</u>	<u>2011-12 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	31,500	29,400	36,000	33,600	58,480	180	N/A	In Compliance
Grade 1	40,250	37,567	50,400	47,040	53,290	180	N/A	In Compliance
Grade 2	40,250	37,567	50,400	47,040	53,290	180	N/A	In Compliance
Grade 3	40,250	37,567	50,400	47,040	53,290	180	N/A	In Compliance
Grade 4	52,500	49,000	54,000	50,400	55,780	180	N/A	In Compliance
Grade 5	52,500	49,000	54,000	50,400	57,344	180	N/A	In Compliance
Grade 6	52,500	49,000	54,000	50,400	57,344	180	N/A	In Compliance
Grade 7	53,900	50,307	54,000	50,400	58,340	180	N/A	In Compliance
Grade 8	53,900	50,307	54,000	50,400	58,340	180	N/A	In Compliance

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Identification Number</u>	<u>Federal Program Expenditures</u>
U.S. Department of Agriculture:			
Passed through El Dorado			
County Office of Education (EDCOE):			
Forest Reserve	10.665	10044	\$ 20,445
Passed through California			
Department of Education (CDE):			
<i>Child Nutrition Cluster:</i>			
National School Lunch	10.555	13524	133,582
Especially Needy School Breakfast	10.553	13526	63,641
U.S. Department of Education:			
Passed through CDE:			
Education Jobs Fund	84.410	25152	51,716
NCLB: Title II - Improving Teacher Quality	84.367	14341	35,929
NCLB: Title IV - 21st Century Community Learning Centers	84.287	14349	108,000
<i>Title I, Part A Cluster:</i>			
NCLB: Title I - Basic Grant Low-Income & Neglected	84.010	14329	79,495
Passed through EDCOE:			
<i>Special Education Cluster:</i>			
IDEA Part B Basic Local Assistance	84.027	13379	106,711
NCLB: Title III - Limited English Proficiency	84.365	10084	1,282
NCLB: Title X - McKinney-Vento Homeless Assistance	84.196	14332	78
U.S. Department of Health and Human Services:			
Passed through Sutter COE:			
Medi-Cal Administrative Activities	93.778	10060	17,240
Medi-Cal Billing	93.778	10013	12,569
Total			<u>\$ 630,688</u>

**POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Auditor's Comments

The audited financial statements of all funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2012.

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	GENERAL FUND			
	(Budget)* 2012-13	2011-12	2010-11	2009-10
Revenues and Other Financial Sources	\$ 5,593,749	\$ 5,996,638	\$ 6,089,785	\$ 5,975,028
Expenditures	5,732,696	6,121,499	5,960,471	5,670,273
Other Uses and Transfers Out	0	0	0	0
Total Outgo	5,732,696	6,121,499	5,960,471	5,670,273
Change in Fund Balance	(138,947)	(124,861)	129,314	304,755
Ending Fund Balance	\$ 3,907,882	\$ 4,046,829	\$ 4,171,690	\$ 4,042,376
Available Reserves	\$ 1,133,230	\$ 1,644,841	\$ 1,870,916	\$ 1,619,270
Reserve for Economic Uncertainties **	\$ 237,000	\$ 237,000	\$ 239,000	\$ 226,800
Available Reserves as a Percentage of Total Outgo	19.8%	26.9%	31.4%	28.6%
Total Long-Term Liabilities	\$ 94,410	\$ 273,137	\$ 184,019	\$ 323,073
Average Daily Attendance at P-2	643	658	667	668

* Amounts reported for the 2012-13 budget are presented for analytical purposes only and have not been audited.

** Reported balances are a component of available reserves.

The fund balance of the General Fund has increased \$4,453 over the past two years. The fiscal year 2012-13 budget projects a decrease of \$138,947 (3%). For a district this size, the state recommends available reserves of at least 4% of total general fund expenditures, transfers out, and other uses (total outgo).

The District incurred an operating deficit of \$124,861 during fiscal year 2011-12 and produced operating surpluses of \$304,755 and \$129,314 during fiscal years 2009-10 and 2010-11, respectively.

Total long-term liabilities decreased \$49,936 over the past two years.

Average daily attendance has decreased 10 ADA over the past two years. Although the District projects a decrease of 15 ADA during fiscal year 2012-13, the District's budget reflects no change in ADA since the District's revenue limit funding will be based on no less than fiscal year 2011-12 P-2 ADA.

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object.

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

D. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activities of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

E. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the Annual Financial and Budget Report to the audited financial statements.

F. Schedule of Financial Trends and Analysis

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

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Pollock Pines Elementary School District (the “District”) in connection with the issuance of \$_____ of the District’s Election of 2012 General Obligation Bonds, Series A (the “Bonds”). The Bonds are being issued pursuant to a Resolution of the District dated October 9, 2012. 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 Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

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

“Dissemination Agent” shall mean initially the District, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

“Holder” shall mean the registered owner of the Bonds.

“Listed Events” shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

“Participating Underwriter” shall mean E. J. De La Rosa & Co., Inc., or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean, the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Rule” shall mean 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.

“State” shall mean the State of California.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2012-13 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. 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(b).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to each Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided and listing all the Repository to which it was provided.

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, 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 time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

- (a) State funding and property tax revenues received by the District for the last completed fiscal year;
- (b) average daily attendance of the District for the last completed fiscal year;
- (c) outstanding District indebtedness;
- (d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

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 have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final

official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, prescribed by the Municipal Securities Rulemaking Board

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.
9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. optional, contingent or unscheduled Bond calls.
4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
5. release, substitution or sale of property securing repayment of the Bonds.

6. 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.

7. Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. 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(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute 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. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, 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 the type of business conducted;

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

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

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

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District 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 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. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. 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 gross 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. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: _____, 2013

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT

By: _____
Superintendent

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: POLLOCK PINES ELEMENTARY SCHOOL DISTRICT

Name of Bond Issue: Election of 2012 General Obligation Bonds, Series A

Date of Issuance: _____, 2013

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

POLLOCK PINES ELEMENTARY SCHOOL DISTRICT

By _____ [form only; no signature required]

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APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR EL DORADO COUNTY

The Bonds are not obligations of the County of El Dorado, California (the “County”) and do not represent a lien or charge against any funds or property of the County. The following information is provided only to give prospective investors an overview of the general economic condition of the County and the State of California (the “State”).

General

The County is located in the Sierra Nevada Mountains of Northern California, encompassing 1,805 square miles of rolling hills and mountainous terrain. Well-known as the location of Lake Tahoe and Squaw Valley, the County is a major destination for outdoor activities.

The County has operated under a charter since 1994. The Board of Supervisors is comprised of five members that are elected from each County district. The Board of Supervisors has authority to perform all the duties vested in it by the Constitution, general law and the charter.

Population

The following table summarizes population estimates of the County and State from 2001 through 2012.

**POPULATION ESTIMATES
El Dorado County and State of California
2001-2012**

<u>Year</u>	<u>El Dorado County</u>	<u>State of California</u>
2001	1,741,416	34,256,789
2002	1,782,268	34,725,516
2003	1,825,379	35,163,609
2004	1,875,063	35,570,847
2005	1,921,423	35,869,173
2006	1,959,715	36,116,202
2007	1,989,690	36,399,676
2008	2,009,594	36,704,375
2009	2,019,432	36,966,713
2010	2,033,141	37,253,956
2011	2,046,619	37,427,946
2012	2,063,919	37,678,563

⁽¹⁾ January 1 estimate.

Source: California State Department of Finance, Demographic Research Unit. March 2010 Benchmark.

Personal Income

The following tables summarize personal income and per capita personal income for the County, State of California and United States from 2005 through 2011.

PERSONAL INCOME El Dorado County, State of California and the United States 2005-2011

<u>Year</u>	<u>El Dorado County</u>	<u>California</u>	<u>United States</u>
2005	\$7,688,115	\$1,387,661,013	\$10,476,669,000
2006	8,219,865	1,495,533,388	11,256,516,000
2007	8,607,872	1,566,400,134	11,900,562,000
2008	8,966,753	1,610,697,843	12,380,225,000
2009	8,456,276	1,526,531,367	12,168,161,000
2010	8,738,665	1,564,209,194	12,353,577,000
2011	9,040,926	1,645,138,372	12,981,740,848

Note: Dollars in Thousands.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

PER CAPITA PERSONAL INCOME⁽¹⁾ El Dorado County, State of California and the United States 2005-2011

<u>Year</u>	<u>El Dorado County</u>	<u>California</u>	<u>United States</u>
2005	\$43,931	\$38,731	\$35,452
2006	46,500	41,518	37,725
2007	48,442	43,211	39,506
2008	50,052	44,003	40,947
2009	46,861	41,034	38,637
2010	48,240	41,893	39,791
2011	49,967	43,647	41,560

⁽¹⁾ Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the labor force, employment and unemployment figures from 2007 through 2011 for the County and State.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE El Dorado County and the State of California 2007-2011⁽¹⁾

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment⁽²⁾</u>	<u>Unemployment⁽³⁾</u>	<u>Unemployment Rate (%)</u>
2007				
El Dorado County	90,500	85,800	4,700	5.2%
State of California	17,921,000	16,960,700	960,300	5.4
2008				
El Dorado County	90,700	84,400	6,300	7.0
State of California	18,203,100	16,890,000	1,313,100	7.2
2009				
El Dorado County	91,700	81,500	10,200	11.1
State of California	18,208,300	16,144,500	2,063,900	11.3
2010				
El Dorado County	91,800	80,400	11,400	12.5
State of California	18,316,400	16,051,500	2,264,900	12.4
2011				
El Dorado County	91,000	80,300	10,700	11.8
State of California	18,384,900	16,226,600	2,158,300	11.7

⁽¹⁾ Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.

⁽²⁾ Includes persons involved in labor-management trade disputes.

⁽³⁾ Includes all persons without jobs who are actively seeking work.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2010 Benchmark.

Industry

The following table summarizes the average annual industry employment in the County from 2007 through 2011.

LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES El Dorado County 2007-2011

<u>Type of Employment</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total Farm	400	300	300	300	200
Mining & Logging	200	200	100	100	100
Construction	5,700	4,800	3,400	3,000	2,800
Manufacturing	2,400	2,300	1,700	1,600	1,600
Transportation, Warehousing & Utilities	700	600	600	500	500
Wholesale Trade	1,000	1,000	800	700	800
Retail Trade	6,000	5,900	5,500	5,500	5,400
Information	800	700	600	500	400
Financial Activities	3,500	3,600	3,500	3,500	3,600
Professional and Business Services	7,400	7,000	5,800	5,700	5,500
Education and Health Services	6,100	6,500	6,500	6,000	6,200
Leisure and Hospitality	7,600	7,300	7,000	7,200	7,100
Other Services	2,000	2,000	1,800	1,700	1,600
Government	<u>9,800</u>	<u>10,200</u>	<u>11,100</u>	<u>10,800</u>	<u>10,400</u>
Total	53,500	52,200	48,700	47,100	46,100

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2010 Benchmark.

Largest Employers

The largest employers in El Dorado County are listed in the following table.

LARGEST EMPLOYERS El Dorado County 2011

<u>Employer</u>	<u>Number of Employees</u>	<u>Location</u>	<u>Industry</u>
AFF Marshall Hospital	250-499	Placerville	Hospitals
Area Agency On Aging-Sr Svc	250-499	Placerville	County Government
Barton Memorial Hospital	500-999	South Lake Tahoe	Laboratories-Medical
Child Development Programs	500-999	Placerville	Child Care Service
DST Output	1,000-4,999	El Dorado Hills	Direct Mail Services
El Dorado County Human Svc	100-249	Placerville	County Government
El Dorado County Sheriff	250-499	Placerville	Sheriff
El Dorado Dept-Transportation	100-249	Placerville	Car Service
El Dorado Irrigation District	100-249	Placerville	Water & Sewage Utility
Embassy Suites-S Lake Tahoe	250-499	South Lake Tahoe	Hotels & Motels
Lak View Lodge	1,000-4,999	South Lake Tahoe	Resorts
Lake Tahoe Community College	250-499	South Lake Tahoe	College
Marriott-Grand Residence Tahoe	500-999	South Lake Tahoe	Hotels & Motels
Marriott-Timber Lodge	100-249	South Lake Tahoe	Hotels & Motels
Marshall Hospital	250-499	Cameron Park	Hospitals
Marshall Medical Ctr	250-499	Placerville	Hospitals
Mc Clone Construction Co	250-499	Cameron Park	General Contractors
More Recycling Ctr	250-499	Placerville	Recycling Centers
Mother Lode Bail Bonds	250-499	Placerville	Notaries-Public
Safeway	100-249	South Lake Tahoe	Grocers-Retail
Sierra At Tahoe Resort	500-999	Twin Bridges	Ski & Snow Reports
Sierra Pacific Industries	100-249	Camino	Lumber-Manufacturers
South Lake Tahoe City Manager	100-249	South Lake Tahoe	City Government
Spare Time Inc	250-499	El Dorado Hills	Health Club & Gymnasium
Walmart	250-499	Placerville	Department Stores

Source: State of California Employment Development Department.

<http://www.labormarketinfo.edd.ca.gov/majorer/county/majorer.asp?CountyCode=000069> Retrieved October 3, 2012.

Commercial Activity

A summary of taxable sales within the County for years 2005 through 2011 is shown in the following table.

**TAXABLE SALES
El Dorado County
(Dollars in Thousands)
2005-2011**

<u>Year</u>	<u>Retail and Food Permits</u>	<u>Retail and Food Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2005	2,628	1,292,107	6,421	\$1,851,231
2006	2,579	1,310,701	6,216	1,898,805
2007	2,507	1,303,337	6,122	1,896,995
2008	2,778	1,230,164	6,132	1,787,804
2009	3,831	1,073,469	5,592	1,527,935
2010	3,928	1,119,482	5,702	1,561,471
2011 ⁽¹⁾	3,849	553,929	5,589	762,963

⁽¹⁾ Reflects taxable sales through the first half of 2011.

Note: In 2009, retail permits expanded to include permits for food services.

Source: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization.

Construction Activity

The table below summarizes new building permits and valuations in El Dorado County for 2011.

**BUILDING PERMITS AND VALUATIONS
El Dorado County
2011**

<u>Valuation (\$000)</u>	<u>2011</u>
Residential	\$85,112
Non-Residential	<u>71,592</u>
TOTAL ⁽¹⁾	\$6,733
<i>New Dwelling Units</i>	
Single Family	137
Multiple Family	<u>0</u>
TOTAL ⁽¹⁾	137

⁽¹⁾ Columns may not add to totals due to rounding.

Source: Construction Industry Research Board.