PRELIMINARY OFFICIAL STATEMENT DATED MAY 13, 2013

NEW ISSUE -- FULL BOOK-ENTRY

RATING: Standard & Poor's: "AA-"
See "RATING" herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California ("Bond Counsel") subject, however, to certain qualifications described herein, under existing law, the interest on the Series B Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

$23,000,000*
JEFFERSON SCHOOL DISTRICT
(San Joaquin County, California)
General Obligation Bonds, 2010 Election
2013 Series B

***Dated*: Date of Delivery**

***Due*: August 1, as shown on inside cover**

Issuance. The General Obligation Bonds, 2010 Election, 2013 Series B (the "Series B Bonds") are being issued by the Jefferson School District (the "District") pursuant to a resolution of the Board of Education of the District adopted October 9, 2012 (the "Bond Resolution"). The Series B Bonds were authorized at an election of the registered voters of the District held on November 2, 2010, which authorized a total of $35,400,000 principal amount of general obligation bonds to finance new construction and additions to and modernization of school facilities for the District**.** The Series B Bonds are the second issue pursuant to such authorization, and are being issued as Current Interest Bonds, Capital Appreciation Bonds and Convertible Capital Appreciation Bonds, as described herein. In 2011 the District issued $6,397,193.50 of Series A Bonds under this authorization. The District expects to issue additional bonds up to the authorized amount.

Security. The Series B Bonds represent a general obligation of the District. The Board of Supervisors of San Joaquin County has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on or accreted value of the Series B Bonds. See "The SERIES B BONDS-Security."

Redemption. The Series B Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES B BONDS - Redemption."

Book Entry Only. The Series B Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interests in the Series B Bonds. See "APPENDIX F - Book-Entry-Only System."

Payments. Interest with respect to the Current Interest Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2014, by check mailed to the person in whose name the Series B Bond is registered. The Capital Appreciation Bonds are dated the date of delivery and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing on August 1, 2013. The Convertible Capital Appreciation Bonds accrete interest at the accretion rates set forth on the inside cover page hereof, compounded semiannually on February 1 and August 1 of each year, commencing on August 1, 2013, until the Conversion Date thereof (as identified on the inside cover page), after which date interest accrues on the Conversion Value thereof (as defined herein), payable semiannually on each February 1 and August 1 following the Conversion Date, until maturity thereof. Payments of principal and interest on the Series B Bonds will be paid by Zions First National Bank, Los Angeles, California, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Series B Bonds.

MATURITY SCHEDULE
(See inside front cover)

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

The Series B Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters also will be passed upon for the District by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel to the District. It is anticipated that the Series B Bonds in definitive form will be available for delivery to Cede & Co., as nominee of The Depository Trust Company, on or about ________, 2013, through the facilities of DTC in New York, New York.

PiperJaffray.

Dated: ____________, 2013

* *Preliminary, subject to change.*

MATURITY SCHEDULE

Base CUSIP(†): 472430

$_______ Current Interest Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP(†)

$__________ Denominational Amount ($______ Maturity Value) Capital Appreciation Bonds

Maturity Date (August 1)	Initial Principal Amount	Reoffering Yield To Maturity	Maturity Value	CUSIP(†)

$__________ Denominational Amount ($______ Maturity Value) Convertible Capital Appreciation Bonds

Maturity Date (August 1)	Initial Principal Amount	Accretion Rate to Conversion	Conversion Date (August 1)	Conversion Value	Interest Rate After Conversion	Price	CUSIP(†)

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† Copyright 2013, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the District nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

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

PIPER JAFFRAY & CO. SINCE 1895. MEMBER SIPC AND NYSE.

JEFFERSON SCHOOL DISTRICT
COUNTY OF SAN JOAQUIN
STATE OF CALIFORNIA

DISTRICT BOARD OF EDUCATION

Dan Wells, President
Debbie Wingo, Vice President
Brian Jackman, Clerk
Pete Carlson, Member
Jacqueline Thomas, Member

DISTRICT ADMINISTRATION

Dana Eaton, Ed.D., *Superintendent (through June 2013)*
Mindy Maxedon, *Chief Business Officer*

BOND COUNSEL AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR

Dolinka Group, LLC
Irvine, California

PAYING AGENT, TRANSFER AGENT, AND BOND REGISTAR

Zions First National Bank
Los Angeles, California

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OFFICIAL STATEMENT

$23,000,000*
JEFFERSON SCHOOL DISTRICT
(COUNTY OF SAN JOAQUIN, CALIFORNIA)
GENERAL OBLIGATION BONDS, 2010 ELECTION
2013 SERIES B

The purpose of this Official Statement, which includes the cover page and attached appendices, is to set forth certain information concerning the sale and delivery by the Jefferson School District (the "**District**") on behalf of the Jefferson School District (the "**District**") of the bonds captioned above (the "**Series B Bonds**").

All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Bond Resolution (as defined below).

INTRODUCTION

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 Series B Bonds to potential investors is made only by means of the entire Official Statement.

The District. The Jefferson School District was organized in June 1870 under the laws of the State of California (the "**State**"). The District currently operates four schools, two kindergarten through grade 8, one K-4 elementary school, and one grade 5-8 within its boundary. Enrollment in the District for the 2012-13 school year is 2,485 students.

Description of the Series B Bonds. The Series B Bonds will be issued as current interest bonds (the "**Current Interest Bonds**"), capital appreciation bonds (the "**Capital Appreciation Bonds**") and as convertible capital appreciation bonds (the "Convertible **Capital Appreciation Bonds**"). The Current Interest Bonds will be dated their date of delivery (the **"Dated Date"**) and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. The Current Interest Bonds will mature on August 1 in the years indicated on the inside cover page hereof.

The Capital Appreciation Bonds and Convertible Capital Appreciation Bonds will be dated the Dated Date, and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 Maturity Value (where the "**Maturity Value**" means the accreted value of a Capital Appreciation Bond on the date such Bond matures) and any integral multiple thereof. The Maturity Value of each Capital Appreciation Bond is equal to its accreted value ("**Accreted Value**"), being comprised of its initial principal amount (**"Denominational Amount"**) and the compounded interest between the delivery date and its respective maturity or mandatory redemption date, if applicable. The Capital Appreciation Bonds shall not bear current interest; each Capital Appreciation Bond shall accrete in value on each February 1 and August 1, commencing on August 1, 2013, to maturity, from its Denominational Amount on the date of delivery thereof to its stated Maturity Value at maturity thereof. See "APPENDIX A – Accreted Value Tables".

The Convertible Capital Appreciation Bonds also do not bear interest on each February 1 and August 1, commencing August 1, 2013, on a current basis but instead shall accrete interest from the Dated Date to their Conversion Date at the rates set forth on the inside cover page hereof. On the Conversion Date, the Convertible Capital Appreciation Bonds convert to Current Interest Bonds, with interest calculated against the Conversion Value. Thereafter, interest on such Convertible Capital Appreciation Bonds will be payable on each February 1 and August 1 subsequent to the Conversion Date.

Registration. The Series B Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available to actual purchasers of the Series B Bonds (the "**Beneficial Owners**") in the denominations set forth on the inside cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Series B Bonds. See "APPENDIX F -- Book-Entry-Only System." In the event that the book-entry-only system described below is no longer used with respect to the Series B Bonds, the Series B Bonds will be registered in accordance with the Bond Resolution described herein. See "THE SERIES B BONDS -- Registration, Transfer and Exchange of Bonds."

Redemption. The Series B Bonds may be subject to optional and mandatory sinking fund redemption prior to maturity as described in "THE SERIES B BONDS - Redemption" herein.

Authority for Issuance of the Series B Bonds. Issuance of the Series B Bonds was approved by approximately 67.26% of the voters of the District voting at an election held on November 2, 2010 (the "**Bond Election**") and will be issued pursuant to certain provisions of the Government Code of the State and pursuant to a resolution adopted by the Board of Education of the District on October 9, 2012. See "THE SERIES B BONDS - Authority for Issuance" herein.

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

Purpose of Issue. The net proceeds of the Series B Bonds will be used to finance school construction and improvements to the school facilities as approved by the voters at the Bond Election. See "THE SERIES B BONDS -- Purpose of Issue" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

""""""""***Offering and Delivery of the Bonds.*** The Series B Bonds are offered when, as and if issued and received by the purchasers, subject to approval as to their legality by Bond

Counsel. It is anticipated that the Series B Bonds will be available for delivery in New York, New York on or about ____________, 2013.

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

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

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. The form of the Continuing Disclosure Certificate is included in Appendix E hereto. See "CONTINUING DISCLOSURE" herein.

Other Information. For limiting factors about this Official Statement, see "General Information About This Official Statement" inside the cover hereof.

Copies of documents referred to herein and information concerning the Series B Bonds are available from the Superintendent, Jefferson School District, 1219 Whispering Wind Drive, Tracy, California 95377; telephone (209) 836-3388. The District may impose a charge for copying, mailing and handling.

THE SERIES B BONDS

Authority for Issuance

The Series B 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 California Government Code (the "**Bond Law**") and pursuant to a resolution adopted by the Board of Education of the District on October 9, 2012 (the "**Bond Resolution**"). The District received authorization at the Bond Election, by a requisite fifty-five percent vote of the qualified electors to issue general obligation bonds in a principal amount not to exceed $35,400,000 (the "**Authorization**"). The Series B Bonds are the second bonds issued pursuant to the Authorization. On May 11, 2011, the District issued $6,397,193.50 General Obligation Bonds, 2010 Election, Series A (the "**Series A Bonds**") as current interest bonds and capital appreciation bonds, currently outstanding in the aggregate principal amount of $6,342,193.50 (excluding accrued interest on the capital appreciation bonds). The District expects to issue additional bonds up to the Authorization amount.

Waiver of Education Code Limitation. Certain provisions of the California Education Code limit the amount of outstanding bonded indebtedness a non-unified school district may have to 1.25% of the assessed value of taxable property within such school district. The District is unable to meet this limitation upon issuance of the Series B Bonds. Section 33050 of the Education Code allows the State Board of Education ("**SBE**") to approve a General Waiver ("**Waiver**") as to any provisions of the Education Code following public hearing on the matter, except for those provisions therein specified as not being subject to such a Waiver, which are not applicable to this limitation. The District applied for a Waiver of the 1.25% limitation and after consideration of the matter by SBE, the Waiver was granted on May 8, 2013. As a result of the waiver the District the limitation is waived through June 29, 2022 and bonded indebtedness of the District is allowed to be approximately 1.92% of assessed value upon issuance of the Bonds.

Description of the Series B Bonds

The Series B Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Series B Bonds.

Current Interest Bonds. Interest with respect to the Current Interest Bonds accrues from their Dated Date, and is payable semiannually on February 1 and August 1 of each year (each, an "**Interest Payment Date**") commencing February 1, 2014. Each Current Interest Bond shall bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is registered and authenticated as of a Interest Payment Date, in which event it shall bear interest from such date, or (ii) it is registered and authenticated prior to a Interest Payment Date and after the close of business on the fifteenth (15th) day of the month preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is registered and authenticated prior to January 15, 2014, in which event it shall bear interest from the date of original delivery; *provided, however*, that if at the time of authentication of a Series B Bond, interest is in default thereon, such Series B Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the Current Interest Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Interest on the Current Interest Bonds, including the final interest payment upon maturity, is payable by check of Zions First National Bank (the "**Paying Agent**") mailed on the Interest Payment Date via first-class mail to the Owner thereof at such Owner's address as it appears on the bond register maintained by the Paying Agent at the close of business on the fifteenth (15th) day of the month preceding the Interest Payment Date (the "**Record Date**"), or at such other address as the Owner may have filed with the Paying Agent for that purpose, or upon written request filed with the Paying Agent as of the Record Date by an Owner of at least $1,000,000 in aggregate principal amount of Current Interest Bonds, by wire transfer.

The Current Interest Bonds shall be issued in the denomination of $5,000 principal amount each or any integral multiple thereof. The Current Interest Bonds mature on August 1, in the years and amounts set forth on the inside cover page hereof.

Capital Appreciation Bonds. The Capital Appreciation Bonds are dated the Dated Date, and accrete interest from such date until the maturity thereof. The initial principal amounts (the **"Denominational Amount"**) of each maturity of the Capital Appreciation Bonds shall be as shown on the inside cover page hereof. The Capital Appreciation Bonds are issued in denominations such that the Maturity Value (defined below) thereof shall equal $5,000 or an integral multiple thereof. The Capital Appreciation Bonds are payable only at maturity, in the years and amounts set forth on the inside cover page hereof.

Interest on the Capital Appreciation Bonds is compounded on February 1 and August 1 of each year, commencing August 1, 2013. Each Capital Appreciation Bond accretes in value daily over the term to its maturity, from its Denominational Amount on the Dated Date to its accreted value (the **"Accreted Value"**) on its maturity date (the **"Maturity Value"**). The Accreted Value payable on any date shall be determined solely by reference to the Table of Accreted Values attached to such Capital Appreciation Bond. See "APPENDIX A – Accreted Value Tables."

The interest portion of the Accreted Value of any Capital Appreciation Bond which is payable on the date of maturity shall represent interest accreted and coming due on such date. The Accreted Value of any Capital Appreciation Bond at maturity shall be payable by check or draft mailed by first-class mail, in lawful money of the United State of America upon presentation and surrender of such Bond at the Office of the Paying Agent. See "APPENDIX F- Book-Entry Only System."

Convertible Capital Appreciation Bonds. The Convertible Capital Appreciation Bonds shall be issued as fully-registered bonds, without coupons, in the denominations of $5,000 Conversion Value, or any integral multiple thereof. The Convertible Capital Appreciation Bonds do not bear interest on a current basis but instead shall accrete interest from the Dated Date to their Conversion Date at the rates set forth on the inside cover page hereof. On the Conversion Date, the Convertible Capital Appreciation Bonds convert to Current Interest Bonds, with interest calculated against the Conversion Value. Thereafter, interest on such Convertible Capital Appreciation Bonds will be payable on each February 1 and August 1 subsequent to the Conversion Date.

Prior to the Conversion Date, the Convertible Capital Appreciation Bonds will not bear current interest; each Convertible Capital Appreciation Bond will accrete in value, compounded on each February 1 and August 1, commencing on August 1, 2013 to its respective Conversion Date. From and after the applicable Conversion Date, each Convertible Capital Appreciation Bond will accrue interest on the Conversion Value, payable on each Interest Payment Date following the Conversion Date, to maturity. The Convertible Capital Appreciation Bonds mature on August 1, in the years and amounts set forth on the inside cover page hereof. Payments of principal of and interest on the Convertible Capital Appreciation Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Convertible Capital Appreciation Bonds.

See the maturity schedules on the inside cover page of this Official Statement, "DEBT SERVICE SCHEDULES" and "APPENDIX A – Accreted Value Tables" herein.

Registration, Transfer and Exchange of Bonds

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

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

Any Series B Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series B Bond for cancellation at the Office at the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The Paying Agent shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Whenever any Series B Bond is surrendered for transfer, the County shall execute and the Paying Agent shall authenticate and deliver a new Series B Bond, for like aggregate principal amount. No transfers of Series B Bonds are required to be made (a) during the period established by the Paying Agent for selection of Series B Bonds for redemption or (b) with respect to a Series B Bond which has been selected for redemption.

Series B Bonds may be exchanged at the Office of the Paying Agent in Los Angeles, California, for a like aggregate principal amount of Series B Bonds of authorized denominations and of the same maturity. The Paying Agent shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No exchanges of Series B Bonds are required to be made (a) during the period established by the Paying Agent for selection of Series B Bonds for redemption or (b) with respect to a Series B Bond which has been selected for redemption.

Purpose of Issue

The proceeds of bonds issued pursuant to the Authorization will be used for the acquisition and construction of school facilities projects approved by the District's voters at the Bond Election. The measure was as follows:

> *"To maintain excellent schools, protect student safety, offset state budget cuts and renovate aging/deteriorating schools by upgrading classrooms, science labs, libraries and instructional technology; removing asbestos and hazardous materials; replacing leaky roofs and deteriorating plumbing; upgrading outdated*

electrical systems to accommodate classroom technology, upgrading fire alarms and school security shall Jefferson School District issue $35.4 million in bonds at legal rates, with independent citizens' oversight and audits, no money for administrator salaries and all funds staying local?"

Security

The Series B Bonds are a general obligation of the District. The Board of Supervisors of the County has the power and is obligated to levy *ad valorem* taxes for the payment of the Series B Bonds and the interest thereon upon all property within the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes are required to be levied annually, in addition to all other taxes, during the period that the Series B Bonds are outstanding in an amount sufficient to pay the principal and interest on the Series B Bonds when due. Such taxes, when collected, will be deposited into the "Debt Service Fund" (as defined herein), which is maintained by the County and which is created by statute for the payment of principal of and interest on the Series B Bonds when due. **Although the County is obligated to levy an *ad valorem* tax for the payment of the Series B Bonds, and will maintain the Debt Service Fund pledged to the repayment of the Series B Bonds, the Series B Bonds are not a debt of the County.**

The moneys in the Debt Service Fund, to the extent necessary to pay the principal and interest on the Series B Bonds as the same become due and payable, shall be transferred by the County to the Paying Agent which, in turn, shall pay such moneys to DTC to pay the principal and interest on the Series B Bonds. DTC will thereupon make payments of principal and interest on the Series B Bonds to the DTC Participants who will thereupon make payments of principal and interest to the beneficial owners of the Series B Bonds.

The rate of the annual *ad valorem* tax levied by the County to repay the Series B 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 Series B Bonds. A reduction in the assessed valuation of taxable property in the District caused by economic factors beyond the District's control, such as economic recession, slower growth, or deflation of land values, a relocation out of the District by one or more major property owners, or the complete or partial destruction of such property caused by, among other eventualities, an earthquake, flood or other natural disaster, could cause a reduction in the assessed value of the District and necessitate an unanticipated increase in the annual tax levy. For further information regarding the District's tax base, tax rates, overlapping debt and other matters concerning taxation, see "DISTRICT FINANCIAL INFORMATION" herein.

Paying Agent

Zions First National Bank will act as the registrar, transfer agent, and paying agent for the Series B Bonds. As long as DTC is the registered owner of the Series B Bonds and DTC's book-entry method is used for the Series B Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Series B Bonds called for prepayment or of any other action covered by such notice.

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

Redemption*

Optional Redemption- Current Interest Bonds*. The Current Interest Bonds maturing on or before August 1, 2023 are not subject to redemption prior to their respective stated maturities. The Current Interest Bonds maturing on or after August 1, 2024 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 as designated by the District, on any date on or after August 1, 2023, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

Optional Redemption- Capital Appreciation Bonds*. The Capital Appreciation Bonds maturing on or before August 1, 2023 are not subject to redemption prior to their respective stated maturities. The Capital Appreciation Bonds maturing on or after August 1, 2024 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 as designated by the District, on any date on or after August 1, 2023, at a redemption price equal to 100%of the Accreted Value thereof, without premium.

Optional Redemption- Convertible Capital Appreciation Bonds*. The Convertible Capital Appreciation Bonds maturing on or before August 1, 2028 are not subject to redemption prior to their respective stated maturities. The Convertible Capital Appreciation Bonds maturing on or after August 1, 2029 are subject to redemption prior to maturity, as a whole or in part, in order of maturity as designated by the District, or if not designated, pro-rata among maturities and by lot within a maturity, at the option of the District, from any available source of funds, on August 1, 2028 and on any date thereafter, at a redemption price equal to the Conversion Value thereof together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Current Interest Bonds maturing on August 1, 20__, and August 1, 20__ (the "**Term Bonds**"), are subject to mandatory sinking fund redemption in part by lot, on August 1 of each year in accordance with the schedules set forth below. The Current Interest Bonds so called for mandatory sinking fund redemption shall be redeemed at the principal amount of such Current Interest Bonds to be redeemed, plus accrued but unpaid interest, without premium.

$_________ Term Bonds Maturing August 1, 20__

Redemption Year (August 1)	Principal Amount To be Redeemed

* *Preliminary, subject to change.*

$_________ Term Bonds Maturing August 1, 20__

Redemption Year (August 1)	Principal Amount To be Redeemed

Selection of Bonds for Redemption

Whenever less than all of the outstanding Series B Bonds of any one maturity are designated for redemption, the Paying Agent shall select the outstanding Series B Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Current Interest Bond shall be deemed to consist of individual bonds of $5,000 denominations each and each Capital Appreciation Bond shall be deemed to consist of individual bonds of $5,000 Maturity Value each (except that one capital appreciation bond may have a Maturity Value which is less than $5,000), which may be separately redeemed.

Notice of Redemption

The Paying Agent is required to give notice of the redemption of the Series B Bonds, mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to (i) one or more of the Information Services, and (ii) to the respective Owners of any Series B Bonds designated for redemption, at their addresses appearing on the Registration Books. In addition, notice of redemption shall be given by telecopy or certified, registered or overnight mail to each of the Securities Depositories at least two days prior to such mailing to the Owners.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the serial numbers of the Series B Bonds to be redeemed by giving the individual number of each Series B Bond or by stating that all Series B Bonds between two stated numbers, both inclusive, or by stating that all of the Series B Bonds of one or more maturities have been called for redemption, and shall require that such Series B Bonds be then surrendered at the Office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Series B Bonds will not accrue from and after the redemption date.

Conditional notice of optional redemption may be given at the direction of the District. The District has the right to rescind any notice of the redemption of Series B Bonds by written notice to the Paying Agent on or prior to the dated fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Series B Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The District and the Paying Agent have no liability to the owners of Series B Bonds or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Neither failure to receive or failure to send any notice of redemption nor any defect in any such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Series B Bonds.

Partial Redemption of Bonds

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

Defeasance

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

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

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

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

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

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

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

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

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

DEBT SERVICE SCHEDULES

The following tables show (i) the debt service schedule with respect to the Series B Bonds and (ii) annual debt service requirements for the Series A Bonds and the Series B Bonds (assuming no optional redemptions).

Table 1
JEFFERSON SCHOOL DISTRICT
Annual Debt Service- Series B Bonds

Period Ending (August 1)	Principal/ Denominational Amount	Current Interest	Accreted Value	Annual Debt Service
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
2047				
2048				
2049				
2050				
2051				
2052				
Total				

* Capital Appreciation Bonds.

Table 2
JEFFERSON SCHOOL DISTRICT
Annual Debt Service- Series A Bonds and Series B Bonds

Period Ending (August 1)	Series A Bonds Debt Service	Series B Bonds Debt Service	Aggregate Debt Service
2013	$ 378,543.76		
2014	386,743.76		
2015	324,643.76		
2016	334,343.76		
2017	343,543.76		
2018	352,343.76		
2019	365,743.76		
2020	378,543.76		
2021	395,743.76		
2022	407,143.76*		
2023	422,143.76		
2024	436,143.76		
2025	454,143.76		
2026	470,893.76		
2027	496,393.76*		
2028	516,393.76*		
2029	541,393.76*		
2030	566,393.76*		
2031	591,393.76*		
2032	616,393.76*		
2033	642,687.50		
2034	671,993.76		
2035	703,612.50		
2036	732,275.00		
2037	767,300.00		
2038	798,750.00		
2039	836,625.00		
2040	870,375.00		
2041	--		
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052	--		
Total	$14,802,643.96		

* Capital Appreciation Bonds.

SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Principal Amount of Series B Bonds	
Original Issue Premium	
Total Sources	
Uses of Funds:	
Deposit to Building Fund	
Deposit to Debt Service Fund	
Underwriter's Discount	
Costs of Issuance [(1)]	
Total Uses	

(1) Costs of Issuance include legal fees, printing costs, rating agency fees and other miscellaneous expenses.

APPLICATION OF PROCEEDS OF SERIES B BONDS

Building Fund

The proceeds from the sale of the Series B Bonds, to the extent of the principal amount thereof, shall be paid to the County to the credit of the fund created and established in the Bond Resolution and known as the "Jefferson School District General Obligation Bonds, 2010 Election, Series B, Building Fund" (the "**Building Fund**"), which will be accounted for as separate and distinct from all other District and County funds. The proceeds will be used solely for the purposes for which the Series B Bonds are being issued and for payment of permissible costs of issuance. Any excess proceeds of the Series B Bonds not needed for the authorized purposes for which the Series B Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Series B Bonds. Interest earnings on the investment of monies held in the Building Fund shall be retained in the Building Fund.

Debt Service Fund

The accrued interest and any premium received by the County from the sale of the Series B Bonds shall be deposited in a separate fund known as the "Jefferson School District General Obligation Bonds, 2010 Election, Series B, Debt Service Fund" (the "**Debt Service Fund**"), which, together with the collections of *ad valorem* taxes, will be used only for payment of principal of and interest on the Series B Bonds. Interest earnings on the investment of monies held in the Debt Service Fund shall be retained in the Debt Service Fund and used by the County to pay the principal of and interest on the Series B Bonds when due. If, after payment in full of the Series B Bonds, there remains excess proceeds, any such excess amounts shall be transferred to the General Fund of the District.

Investment of Proceeds of Bonds

Under California law, the District is generally required to pay all monies received from any source into the County Treasury to be held on behalf of the District. The proceeds of Series B Bonds to be deposited in the Building Fund and the Debt Service Fund initially will be deposited in the Treasury of the County, which is administered by the County Treasurer (the "**Treasurer**"). Proceeds of the Series B Bonds held by the Treasurer shall be invested at the Treasurer's discretion pursuant to law and the investment policy of the County, and the District may request the County to invest all or a portion of the funds on deposit in the Building Fund in certain permitted investments, however the County is not obligated to follow such direction. See "SAN JOAQUIN COUNTY TREASURY POOL" herein for a description of the County's investment policy and investment portfolio. Money on deposit in the Building Fund and the Debt Service Fund will be accounted for separately from other moneys held by the Treasurer.

SECURITY FOR THE SERIES B BONDS

General

The Series B Bonds are general obligations of the District payable solely from certain property tax levies. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Series B Bonds. Such taxes are required to be levied annually, in addition to all other taxes, during the period that any Series B Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Series B Bonds when due. Such taxes, when collected, will be deposited into the Debt Service Fund for the Series B Bonds, which is maintained by the County and which is created by statute for the payment of principal of and interest on the Series B Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of Series B Bonds, and will maintain the Debt Service Fund pledged to the repayment of the Series B Bonds, the Series B 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 Series B Bonds as the same become due and payable, will be transferred by the County to the Paying Agent which, in turn, will pay such moneys to DTC to pay the principal of and interest on the Series B Bonds. DTC will thereupon make payments of principal of and interest on the Series B Bonds to the DTC Participants who will thereupon make payments of principal of and interest to the beneficial owners of the Series B Bonds. See "THE SERIES B BONDS – The Book-Entry System."

The Series A Bonds issued in 2011 are likewise secured by property tax levies on a similar and parity basis with the Series B Bonds.

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

Ad Valorem Property Taxation

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10 percent penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5 percent per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10 percent penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5 percent attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

Assessed Valuations

The assessed valuation of property in the District is established by the San Joaquin County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. The full value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area, or to reflect declines in property value caused by substantial damage, destruction or other factors, including assessment appeals filed by property owners. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

Property within the District had a net taxable assessed valuation for fiscal year 2012-13 of $1,535,553,115. Shown in the following table are the assessed valuations for the District for the past five fiscal years.

Table 1
JEFFERSON SCHOOL DISTRICT
Assessed Valuation
Fiscal Year 2006-07 through Fiscal Year 2012-13

	Local Secured	Utility	Unsecured	Total
2006-07	$ 1,918,520,970	$ 1,759,377	$ 50,949,049	$ 1,971,229,396
2007-08	2,088,345,624	209,607	52,513,703	2,141,068,934
2008-09	1,991,916,170	209,607	71,196,538	2,063,322,315
2009-10	1,647,685,532	583,434	67,715,159	1,715,984,125
2010-11	1,585,281,904	583,434	60,715,053	1,646,580,391
2011-12	1,493,657,982	583,434	42,756,212	1,536,997,628
2012-13	1,495,010,538	583,434	39,959,143	1,535,553,115

Source: California Municipal Statistics, Inc.

The following table shows secured assessed valuation of parcels in the District for the 2012-13 fiscal year.

Table 2
JEFFERSON SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2012-13

	2012-13 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$104,150,357	6.97%	410	8.58%
Commercial	18,530,418	1.24	50	1.05
Vacant Commercial	8,432,173	0.56	9	0.19
Industrial	167,775,762	11.22	58	1.21
Vacant Industrial	12,027,927	0.80	36	0.75
Recreational	1,633,793	0.11	5	0.10
Government/Social/Institutional	1,102,461	0.07	109	2.28
Miscellaneous	2,731,046	0.18	50	1.05
Subtotal Non-Residential	$316,383,937	21.16%	727	15.22%
Residential:				
Single Family Residence	$1,061,454,722	71.00%	3,662	76.66%
Rural Residential	66,720,409	4.46	226	4.73
2+ Residential Units/Apartments	32,128,302	2.15	22	0.46
Miscellaneous Residential	1,599,837	0.11	30	0.63
Vacant Residential	16,723,331	1.12	110	2.30
Subtotal Residential	$1,178,626,601	78.84%	4,050	84.78%
Total	$1,495,010,538	100.00%	4,777	100.00%

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

The table below shows the distribution of assessed value for the singe-family residential parcels in the District for fiscal year 2012-13.

Table 3
JEFFERSON SCHOOL DISTRICT
Per Parcel 2012-13 Assessed Valuation of Single Family Homes

	No. of Parcels	2012-13 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	3,662	$1,061,454,722	$289,857	$271,000

2012-13 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	0	0.000%	0.000%	$ 0	0.000%	0.000%
$25,000 - $49,999	3	0.082	0.082	110,509	0.010	0.010
$50,000 - $74,999	1	0.027	0.109	68,040	0.006	0.017
$75,000 - $99,999	10	0.273	0.382	878,866	0.083	0.100
$100,000 - $124,999	8	0.218	0.601	878,000	0.083	0.182
$125,000 - $149,999	10	0.273	0.874	1,343,896	0.127	0.309
$150,000 - $174,999	46	1.256	2.130	7,646,890	0.720	1.029
$175,000 - $199,999	340	9.285	11.415	64,751,808	6.100	7.130
$200,000 - $224,999	329	8.984	20.399	70,218,888	6.615	13.745
$225,000 - $249,999	667	18.214	38.613	157,871,946	14.873	28.618
$250,000 - $274,999	500	13.654	52.267	130,323,780	12.278	40.896
$275,000 - $299,999	616	16.821	69.088	177,399,279	16.713	57.609
$300,000 - $324,999	431	11.770	80.857	134,237,432	12.647	70.255
$325,000 - $349,999	237	6.472	87.329	79,653,641	7.504	77.760
$350,000 - $374,999	41	1.120	88.449	14,823,862	1.397	79.156
$375,000 - $399,999	81	2.212	90.661	31,199,687	2.939	82.095
$400,000 - $424,999	57	1.557	92.217	23,501,691	2.214	84.310
$425,000 - $449,999	61	1.666	93.883	26,601,442	2.506	86.816
$450,000 - $474,999	22	0.601	94.484	10,160,053	0.957	87.773
$475,000 - $499,999	39	1.065	95.549	18,945,906	1.785	89.558
$500,000 and greater	163	4.451	100.000	110,839,106	10.442	100.000
Total	3,662	100.000%		$1,061,454,722	100.000%	

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

Property Tax Collections

The District's total secured tax collections and delinquencies are apportioned on a County-wide basis, according to the District's designated tax rate amount. Therefore, the total secured tax levies, as well as collections and delinquencies reported, do not represent the actual secured tax levies, collections and delinquencies of tax payers within the tax areas of the District. In addition, the District's total secured tax levy does not include special assessments, supplemental taxes or other charges which have been assessed on property within the District or other tax rate areas of the County.

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

Because of this method of tax collection, the K-12 districts located in counties operating under the Teeter Plan and participating in the Teeter Plan are assured of 100% collection of their secured tax levies if the conditions established under the applicable county's Teeter Plan are met. However, such districts are not entitled to share in any penalties due to delinquent payments. This method of tax collection and distribution is subject to future discontinuance at the County's option or if demanded by the participating taxing agencies. However, under the statute creating the Teeter Plan, the Board of Supervisors can under certain circumstances terminate the Teeter Plan in part or in its entirety with respect to the entire County and, in addition, the Board of Supervisors can terminate the Teeter Plan with respect to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%. In the event that the Teeter Plan was terminated, the amount of the levy of *ad valorem* property taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District

Appeals of Assessed Value

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

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

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 County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the County Assessor.

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

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

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

Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2012-13.

Table 4
JEFFERSON SCHOOL DISTRICT
Largest Local Secured Taxpayers
Fiscal Year 2012-13

	Property Owner	Primary Land Use	2012-13 Assessed Valuation	% of Total (1)
1.	Inland Container Corp.	Industrial	$ 36,143,282	2.42%
2.	Pacific Triple E LP	Warehouse	25,008,362	1.67
3.	Ameron Inc.	Industrial	24,396,811	1.63
4.	Fairfield Edgewood Station LP	Apartments	20,539,700	1.37
5.	Basalite Concrete Products LLC	Industrial	17,256,220	1.15
6.	Tracy Material Recovery Inc.	Industrial	13,298,929	0.89
7.	Vernalis Partners LP	Rural/Undeveloped	8,620,445	0.58
8.	Triangle Properties Inc.	Rural/Undeveloped	8,385,628	0.56
9.	Angelo K. Tsakopoulos	Rural/Undeveloped	7,277,779	0.49
10.	Edgewood Corporate Center LLC	Commercial Land	6,566,504	0.44
11.	Lone Star Aggregate Ptp.	Industrial	6,502,256	0.43
12.	Calaveras Materials Inc.	Industrial	4,681,470	0.31
13.	Western Corral Investments LLC	Rural/Undeveloped	4,485,364	0.30
14.	Blue Tree Farms Corp.	Agricultural	4,373,799	0.29
15.	Valpico Properties LLC	Industrial	4,107,080	0.27
16.	Cypress Equities Group V LP	Warehouse	3,605,666	0.24
17.	The Wine Group LLC	Office Building	3,604,539	0.24
18.	Kent E. and Beverly C. Greg	Residential Properties	3,504,434	0.23
19.	JTTT Enterprises LP	Industrial	3,500,000	0.23
20.	Vink Bros.	Agricultural	3,248,665	0.22
			$209,106,933	13.99%

(1) 2012-13 Local Secured Assessed Valuation: $1,495,010,538.
Source: California Municipal Statistics, Inc.

Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and dated May 13, 2013. 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.

Table 5
JEFFERSON SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of May 13, 2013

2012-13 Assessed Valuation: $1,535,553,115

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/13
San Joaquin Delta Community College District	2.692%	$ 3,387,113
Tracy Unified School District	13.880	6,448,648
Jefferson School District	**100.**	**6,342,194** (1)
City of Tracy Community Facilities District No. 87-1	10.625	1,377,000
City of Tracy Community Facilities District No. 98-1	42.328	23,453,945
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$41,008,900
OVERLAPPING GENERAL FUND DEBT:		
San Joaquin County Certificates of Participation	2.964%	$4,989,153
City of Tracy Certificates of Participation	14.015	3,257,787
Byron-Bethany Irrigation District General Fund Obligations	12.833	662,183
TOTAL OVERLAPPING GENERAL FUND DEBT		$8,909,123
OVERLAPPING TAX INCREMENT DEBT:		
Tracy Community Development Project	1.698%	$785,750
TOTAL OVERLAPPING TAX INCREMENT DEBT		$785,750
GROSS COMBINED TOTAL DEBT		$50,703,773 (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 (6,342,194)..0.41%
Total Direct and Overlapping Tax and Assessment Debt 2.67%
Combined Total Debt 3.30%

Ratio to Redevelopment Incremental Valuation ($14,277,612):
Overlapping Tax Increment Debt 5.50%

Source: California Municipal Statistics, Inc.

THE DISTRICT- GENERAL AND FINANCIAL INFORMATION

The information in this section concerning the operations of the District and the District's general fund finances 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 Series B Bonds is payable from the general fund of the District. The Series B Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "THE SERIES B BONDS - Security" herein.

General Information

The Jefferson School District was organized in June 1870 under the laws of the State. The District currently operates four schools, two kindergarten through grade 8, one K-4 elementary school, and one grade 5-8 within its boundary. Enrollment in the District for the 2012-13 school year is 2,485 students

Administration

The District is governed by a five-member Board of Education, each member of which is elected to a four-year term. If a vacancy arises during any term, the vacancy is filled by either an appointment by the majority vote of the remaining Board members or by a special election. Each December, the Board elects a President, Vice President and Clerk to serve one-year terms. Current members of the Board of Education, together with their office and the date their term expires, are listed below:

Name	Office	Term Expires
Dan Wells	President	December 2014
Debbie Wingo	Vice President	December 2016
Brain Jackman	Clerk	December 2014
Pete Carlson	Member	December 2016
Jacqueline Thomas	Member	December 2014

The current Superintendent of the District is Dana Eaton. Mr. Eaton has resigned his position effective June 30, 2013. The Board currently expects that a successor Superintendent will be in place by July 1, 2013.

Recent Enrollment Trends

The following table shows enrollment history for the District for the last ten school years, with estimated figures for fiscal year 2013-14 and 2014-15.

Table 6
JEFFERSON SCHOOL DISTRICT
Annual Enrollment Grades K through 8
Fiscal Years 2003-04 through 2014-15

School Year	Enrollment
2003-04	1,850
2004-05	2,115
2005-06	2,274
2006-07	2,431
2007-08	2,435
2008-09	2,416
2009-10	2,503
2010-11	2,553
2011-12	2,516
2012-13	2,485
2013-14[(1)]	2,465
2014-15[(1)]	2,445

(1) Estimates provided by the District, excludes charter schools.
Source: California Department of Education.

Employee Relations

The certificated teachers of the District have selected the California Teachers Association as their exclusive bargaining agent. They are currently under a contract which will expire on June 30, 2013. The District is continuing with negotiations. There are no other union employees.

District Retirement Systems

The District participates in the State of California Teacher's Retirement System ("**STRS**"). This plan covers basically all full-time certificated employees. Active plan members are required to contribute 8.0% of their salary and the District is to contribute an actuarially determined rate, which was 8.25% of payroll for the 2011-12 fiscal year. The District's contribution to STRS for fiscal year 2010-11 was $703,744 (audited), for fiscal year 2011-12 was $757,646 and for fiscal year 2012-13 was $726,349 is projected (2nd Interim Report).

The District also participates in the State of California Public Employees' Retirement System ("**PERS**"). This plan covers all classified personnel who are employed four or more hours per day. Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate, which was 10.923% of annual payroll for 2010-11. The District's contribution to PERS for fiscal year 2010-11 was $244,188 (audited), for fiscal year 2011-12 was $243,793 and for fiscal year 2012-13 $217,591 is projected (2nd Interim Report).

At its April 17, 2013 meeting, the PERS Board of Administration approved a recommendation to change the PERS amortization and smoothing policies. Prior to this change, PERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

The new amortization and smoothing policy will be used for the first time in the June 30, 2013 actuarial valuations. These valuations will be performed in the fall of 2014 and will set employer contribution rates for the Fiscal Year 2015-16. The District cannot predict how this change in amortization and smoothing policies will affect its contribution levels.

The new amortization and smoothing policy will be used for the first time in the June 30, 2013 actuarial valuations. These valuations will be performed in the fall of 2014 and will set employer contribution rates for the Fiscal Year 2015-16. The District cannot predict how this change in amortization and smoothing policies will affect its contribution levels.

State Pensions Trusts. Both the PERS and STRS systems are operated on a statewide basis. District contribution rates to the PERS system vary annually depending on changes in actuarial assumptions and other factors, such as liability. Unlike PERS, STRS contribution rates for participant employers, employees hired prior to the Implementation Date (defined herein) are set by statute and do not currently vary from year-to-year based on actuarial valuations. As a result of the PEPRA (defined below), the contribution rate for STRS participants hired after the Implementation Date will vary from year-to-year based on actuarial valuations. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS 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 STRS, or whether the District will be required to make larger contributions to STRS in the future. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

STRS has a substantial State unfunded actuarial liability, being $64.5 billion as of June 30, 2011. Since this liability has not been broken down by the state agency, information is not available showing the District's share. Both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. However, information in the financial reports and on the websites is not incorporated in this Official Statement by reference. See also the following paragraph on recent pension reform legislation.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, a bill that will enact the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**") and that will also amend various sections of the California Education and Government Codes. PEPRA (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual PERS and STRS pension benefit payouts, (iii) addresses numerous abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their

PERS pension benefits. PEPRA will apply to all public employers *except* the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of PEPRA will go into effect on January 1, 2013 (the "Implementation Date") with respect to new State, school, and city and local agency employees hired on that date and after; existing employees who are members of employee associations, including employee associations of the District, will have a five-year window to negotiate compliance with PEPRA through collective bargaining. If no deal is reached by January 1, 2018, a city, public agency or school district could force employees to pay their half of the costs of PERS pension benefits, up to 8 percent of pay for civil workers and 11 percent or 12 percent for public safety workers.

PERS has predicted that the impact of PEPRA on employers, including the District and other employers in the STRS system, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. Additionally, PERS has noted that changes arising from PEPRA could ultimately have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

With respect to STRS, for employees hired after January 1, 2013, future members will pay the greater of either (1) at least 50 percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by current members. The member contribution rate could be increased from this level through collective bargaining or may be adjusted base don other factors. Public employers will pay at least the normal cost rate, after subtracting the member's contribution. The District is unable to predict the amount of future contributions it will have to make to STRS as a result of the implementation of AB 340 (being its future contributions for the normal costs of new employees), and as a result of negotiations with its employee associations, or, notwithstanding the adoption of AB 340, resulting from any legislative changes regarding STRS employer contributions that may be adopted in the future.

More information about AB 340 can be accessed through the PERS's web site at *www.calpers.ca.gov/index.jsp?bc=/member/retirement/pension-reform-impacts.xml&pst=ACT&pca=ST* and through the STRS web site at *http://www.calstrs.com/Newsroom/whats_new/AB340_detailed_impact_analysis.pdf*. *The references to these internet websites are shown for reference and convenience only; the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

Post-Retirement Health Care Obligations of District

The Plan. The District provides post-employment health care benefits in accordance with District employment contracts. The Post Employment Benefit Plan (the "**Plan**") is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 5 retirees and beneficiaries currently receiving benefit and 7 active Plan members. See "APPENDIX B - Audited Financial Statements of the District- Note 10- Net OPEB Obligation" for a summary of retiree benefits.

Contribution Information. The contribution requirements of Plan members and the District are established and may be amended by the District and employee bargaining units. The required contribution is based on projected pay-as-you-go financing requirements, with additional an amount to prefund benefits as determined annually through the agreements with the employee bargaining units. For fiscal year 2011-12, the District contributed $56,448 to the Plan, a portion of which was used for current premiums.

***Annual OPEB Cost and Net OPEB Obligation*.** The District's annual other postemployment benefit (**"OPEB"**) cost is calculated based on the annual required contribution of the employer (**"ARC"**), an amount actuarially determined in accordance with the parameters of Government Accounting Standards Board Statement No. 45 (**"GASB 45"**). GASB 45 requires local government employers who provide OPEB as part of the compensation offered to employees to recognize he expense and related liabilities and assets in their financial statements.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (**"UAAL"**) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan (which was 100% of ARC), and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 92,468
Contributions made	(56,448)
Increase (decrease) in net OPEB obligation	36,020
Net OPEB obligation, beginning of year	285,076
Net OPEB obligation, end of year	$249,056

OPEB Funded Status and Funding Progress. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. As described in the District’s 2011-12 Audited Financial Statements (Note 10), the actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 1, 2008 actuarial valuation, the entry age normal actuarial method was used. The actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust. Additionally, the assumptions include a 4% per year trend increase in healthcare costs. The remaining amortization period at June 1, 2008 was 30 years. The actuarial value of assets was determined at $285,076.

Insurance

The District currently participates in the San Joaquin County Schools Property and Liability Insurance Group ("**SJCSPLIG**") for property and liability insurance coverage. SJCSPLIG was formed in 1993 for the purpose of self-insuring property and liability losses through participation in a network of local and regional joint powers authorities. Member districts retain the first layer of risk up to $25,000 for liability and $10,000 for property coverage. SJCSPLIG assumes the risk for losses above the individual members self-insured retention up to $50,000 for liability losses, and $25,000 for property losses. The Northern California Regional Liability Excess Fund ("**NorCal ReLiEF**") assumes the risk for property losses in excess of $25,000, NorCal ReLiEF assumes the financial responsibility and for liability losses in excess of $50,000, up to $1 million. Liability losses in excess of $1 million are covered by Schools Association For Excess Risk.

The District participates in another joint powers agreement entity, the San Joaquin County Schools Worker's Compensation Group ("**SJCSWCG**"). SJCSWCG arranges for and provides for worker's compensation insurance for its member districts as requested. SJCSWCG was formed in 1978 by San Joaquin County Office of Education and the school districts within the county. The original purpose of the SJCSWCG was to provide a self-funded workers' compensation benefit program for employees of the member agencies. In 1996, SJCSWCG discontinued its self-funded program. Currently, SJCSWCG obtains coverage via membership in The Protected Insurance Program for Schools Joint Powers Authority ("PIPS"), a statewide schools insurance pool. PIPS is the largest such pool in existence, insuring over $8 billion of covered payroll.

Accounting Practices

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

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

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

Financial Statements

The District's Audited Financial Statements for the fiscal year ending fiscal year 2011-12 were prepared by Cichella & Tokunaga, LLP, El Dorado Hills, California. 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 Superintendent's Office. See Appendix B hereto for excerpts from the 2011-12 Audited Financial Statements. The District has not requested, and the auditor has not provided, any additional review of such financial statements in connection with their inclusion in the Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District.

The following table shows the audited income and expense statements for the District for the 2009-10 through 2011-12 fiscal years.

Table 7
JEFFERSON SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance
For Fiscal Years 2009-10 through 2011-12 (audited)

	Audited 2009-10	Audited 2010-11	Audited 2011-12
Revenues			
Revenue limit sources	$11,668,538	$12,502,861	$12,523,813
Federal revenues	1,056,526	1,338,863	631,888
Other state revenues	2,466,081	2,357,447	2,381,493
Other local revenues	1,263,273	1,228,859	1,096,266
Total Revenues	16,454,418	17,428,030	16,633,460
Expenditures			
Instruction	10,857,700	11,434,552	12,081,878
Instruction-related activities			
Supervision of instruction	170,842	173,767	173,596
Library, media and technology	240,485	245,582	249,435
School site administration	1,285,758	1,291,097	1,398,436
Pupil services:			
Home-to-school transportation	228,499	224,074	256,672
All other pupil services	388,992	439,368	568,405
General Administration			
Data processing	1,109,356	1,128,569	1,175,678
All other general administration	126,484	102,158	104,734
Plant services	1,389,060	1,442,606	1,400,012
Ancillary services	36,098	28,560	41,869
Other outgo	156,707	164,149	210,732
Debt service: Principal	71,457	--	--
Debt service: Interest and other	4,288	--	--
Total Expenditures	16,065,726	16,674,482	17,661,447
Excess of Revenues Over/(Under) Expenditures	388,692	753,548	(1,027,987)
Other Financing Sources (Uses)			
Operating transfers in	--	--	14,065
Other sources	760,119	--	--
Operating transfers out	(655,844)	(20,000)	(20,000)
Total Other Fin. Source(Uses)	104,275	(20,000)	(5,935)
Net change in fund balance	492,967	733,548	(1,033,922)
Fund Balance, July 1, as adjusted	7,822,142	8,315,109	9,048,657
Fund Balance, June 30	$8,315,109	$9,048,657	$8,014,735

Source: Jefferson School District Audit Reports.

The following table shows the District's Budget, as adopted by the Board of Education, for fiscal year 2012-13, compared to Second Interim Report projected year totals for the General Fund for same fiscal year. The format used in the Budget is not directly comparable to the audited format shown above (as mandated by GASB 34).

Table 8
JEFFERSON SCHOOL DISTRICT
Revenues, Expenditures and Changes in Fund Balance
For Fiscal Year 2012-13 (Budget and Second Interim)

	Adopted Budget 2012-13*	2nd Interim Report 2012-13
Revenues		
Revenue Limit Sources	$12,541,477	$12,531,574
Federal revenues	589,624	725,898
Other state revenues	2,224,035	2,538,160
Other local revenues	876,743	1,045,886
Total Revenues	16,231,879	16,841,518
Expenditures		
Certificated Salaries	9,198,466	9,226,067
Classified Salaries	2,224,649	2,209,188
Employee Benefits	3,366,945	3,387,418
Books and Supplies	1,033,322	1,081,757
Services and Other Operating Expenditures	1,758,932	1,870,374
Capital outlay		
Other Outgo	232,216	152,593
Total Expenditures	17,814,531	17,927,397
Excess of Revenues Over/(Under) Expend.	(1,582,652)	(1,085,879)
Other Financing Sources (Uses)		
Operating Transfers In	--	--
Operating Transfers Out	--	--
Total Other Financing Sources (Uses)	--	--
Net Change in Fund Balance	(1,582,652)	(1,085,879)
Fund Balance, July 1	7,892,259	8,014,735
Fund Balance, June 30	$6,309,607	$6,928,856

** The District's Adopted Budget for 2012-13 assumed that Proposition 30, which appeared on the November 6, 2012 Statewide ballot, would not pass, resulting in trigger reductions in State education spending. Proposition 30 subsequently was approved by State voters, so the trigger reductions to education funding will not occur. This adjustment showing greater revenue limit funding has been reflected in the Second Interim Report.*
Source: Jefferson School District.

Reserve Levels. The District is required to maintain a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 3% of General Fund expenditures and other financing uses. The District has successfully maintained its reserve for economic uncertainties at or above the State requirement of 3% of expenditures, and has been able to meet all multi-year projections with respect to reserve levels in its interim financial reports, which have received positive certifications in in recent years.

Budget Process

Budgeting - Education Code Requirements. 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 Assembly Bill 1200 ("**AB 1200**"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

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

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than 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 and dual budget option districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 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.

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

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

District's Budget Approval/Disapproval and Certification History. The District has not received a qualified or negative certification on its budgets during the past five years.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at 1219 Whispering Wind Drive, Tracy, California 95377; telephone (209) 836-3388. The District may impose charges for copying, mailing and handling.

Long-Term Debt

Bonded Debt. On May 11, 2011 the District issued $6,397,193.50 General Obligation Bonds, 2010 Election, Series A (the "**Series A Bonds**") as current interest bonds and capital appreciation bonds, currently outstanding in the aggregate principal amount of $6,342,193.50 (excluding accrued interest on the Series A Bonds). See "DEBT SERVICE SCHEDULES" in the body of this Official Statement for the debt service due on the Series A Bonds.

Capital Leases. The District's liability on lease agreements at June 30, 2012 with options to purchase is $78,975.

State Funding of Education and Revenue Limitations

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

A schedule of the District's A.D.A. during the past eight years, as well as two years of projections, is shown below. The ADA shown below does not include students from the District's charter schools.

Table 9
JEFFERSON SCHOOL DISTRICT
Average Daily Attendance
Fiscal Years 2005-06 through 2014-15 (estimated)

Fiscal Year	Total Funded ADA	Base Revenue Limit Per ADA
2005-06	2,219.44	$4,998.51
2006-07	2,335.80	5,338.50
2007-08	2,428.03	5,579.50
2008-09	2,366.64	5,432.14
2009-10	2433.61	5,016.68
2010-11	2,469.62	5,021.07
2011-12	2,491.97	5,025.67
2012-13	2,470.10	5,066.33
2013-14(1)	2,432.45	5,148.90
2014-15(1)	2,413.05	5,260.61

(1) Estimated.
Source: Jefferson School District.

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

Revenue Sources

The District categorizes its general fund revenues into four sources:

Table 10
JEFFERSON SCHOOL DISTRICT
District Revenue Sources

	Percentage of Total District General Fund Revenues			
Revenue Source	2009-10	2010-11	2011-12	2012-13
Revenue limit sources (1)	71.7%	75.3%	74.4%	71.7%
Federal revenues	7.7	3.8	4.3	7.7
Other State revenues	13.5	14.3	15.1	13.5
Other local revenues	7.1	6.6	6.2	7.1

(1) Consists of a mix of State apportionments of basic and equalization aid and local property tax revenues.
Source: Jefferson School District.

Each of these revenue sources is described below.

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

Funding of the District's revenue limit is provided by a mix of (1) local property taxes and (2) State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the District's revenue limit and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (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.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, and specialized programs such as Drug Free Schools.

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

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Class Size Reduction Program, home-to-school transportation, Economic Impact Aid, School Improvement Program, Educational Technology Assistance Grants, mandated cost reimbursements, instructional materials and mentor teachers.

The District receives State aid from the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Lottery revenues generally comprise approximately 2% of general fund revenues.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings and other local sources.

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55 percent of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see "- State Funding of Education and Revenue Limitations" below). State funds typically make up the majority of a district’s revenue limit. School districts also receive substantial funding from the State for various categorical programs.

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

State Funding of Education and Recent State Budgets

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

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

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

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

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

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

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

Recent State Budgets

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

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

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

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

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

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

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

Furthermore, commencing in fiscal year 2008-09, to better manage its cash flow in light of declining revenues, the State has enacted several statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year, in order to more closely align the State's revenues with its expenditures. This technique has been used several times through the enactment of budget bills in fiscal years 2008-2009 through 2012-12.

Some of these statutory deferrals were made permanent, and others were implemented only for one fiscal year.

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

Information on State Economic Challenges, Prior Year State Budgets and Related Events. The State's financial condition and budget policies affect communities, local public agencies and school districts throughout California. The State of California is experiencing significant financial and budgetary stress. Exacerbating the State's challenges, as the State entered recession in 2008, annual revenues generally were less than annual expenses, creating a "structural" budget deficit. This structural deficit is due in part to overreliance on temporary budgetary remedies in prior State Budget years, including one-time revenues, internal borrowing, payment deferrals, accounting shifts and expenditure reduction proposals that have not materialized.

In recent years, the State Budget was also, repeatedly, not passed and signed in a timely manner. Frequently, school district budgets have been revised after the delivery of delayed State Budgets to reflect necessary changes in revenues and expenditures. Delays in the delivery of State budgets cause an element of uncertainty for local governments, such as school districts. Delayed payments from the State to the District, which are more common during periods in which the State faces economic challenges, also subject the District to additional risk.

In recent years, Governor Edmund G. Brown Jr. has employed a strategy of proposing revenue raising measures coupled with automatic expenditure and service cuts, which cuts go into effect if the revenue raising measures are not approved by the State Legislature or State voters, into his State budget packages. The State's 2011-12 Budget (the "**2011-12 Budget**") relied on $4 billion of additional tax revenue, which when not realized, automatically triggered nearly $1 billion further cuts to universities, welfare, courts and schools (the "**Trigger Cuts**"). "**Tier 1 Trigger Cuts**" would be triggered if, by January 2012, State revenues fell short of projections by $1-2 billion. Tier 1 Trigger Cuts related to cuts in university, social services and library funding and would total approximately $600 million. "**Tier 2 Trigger Cuts**" would be triggered if, by January 2012, revenues were projected to fall short by more than $2 billion. Tier 2 Trigger Cuts related to K-12 revenue limit funding and home-to-school transportation and were to total approximately $1.9 billion.

On December 13, 2011, Governor Brown announced the State would fall $2.2 billion short of the revenue forecast contained in the 2011-12 Budget, and that $980 million in Trigger Cuts, comprised of all Tier 1 Trigger Cuts and a portion of Tier 2 Trigger Cuts, would be implemented. Effective January 1, 2012, Trigger Cuts to funding for University of California, California State University, community colleges, developmental services, local libraries and state-subsidized child care and K-12 school bus service funding, among others, became effective. Effective February 1, 2012, Trigger Cuts to general revenue limit funding for K-12 school districts totaling $79.6 million were implemented.

The 2011-12 Budget was also premised on $2.8 billion in deferrals to K-12 schools and community colleges and $1.7 billion to be directed from State redevelopment agency funds pursuant to ABx1 27. ABx1 27 was passed together with ABx1 26, which restricted redevelopment agency actions to create new debt and then dissolved them. On December 29, 2011, the State Supreme Court issued its decision in *California Redevelopment Assoc. v. Matosantos*, a case brought to determine the constitutionality of ABx1 26 and ABx1 27, ruling that ABx1 26 was constitutional and ABx1 27 was not. By February 1, 2012 all redevelopment agencies were to cease operations and dismantle, and no additional payments from communities with redevelopment agencies to fund school expenditures are thereafter constitutionally permissible. Other challenges or delays relating to the implementation of these statutes cannot be predicted at this time.

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

Finally, the 2011-12 Budget contained the numerous significant measures with respect to K-12 education, including: (i) an additional apportionment deferral of $1.2 billion in education spending in order to maintain programmatic funding at the fiscal year 2010-11 level, (ii) a decrease of $62.3 million to part-day preschool spending to reflect a reduction of income eligibility levels to 70% of the State median Income and across-the-board reductions to provider contracts, (iii) $11 million in supplemental categorical funding to charter schools that begin operations between 2008-09 and 2011-12, (iv) $3.2 million of increased funding for clean technology and renewable energy job training, career technical education and the Dropout Prevention Program, each of which was designed to provide at-risk high school students with occupational training in areas such as conservation, renewable energy and pollution reduction, (v) a decrease of $180.4 million to child care and development programs, including reductions to license-exempt provider rates, reductions of income eligibility levels to 70% of the State median Income and across-the-board reductions to provider contracts, (vi) a decrease of $2.1 million to reflect elimination of funding for the California Longitudinal Teacher Integrated Data System (CALTIDES), which program was intended to provide a central State information depository regarding the teaching workforce, and (vii) projected savings of $1.6 million through the elimination of the Office of the Secretary of Education.

2012-13 State Budget

On June 15, 2012, the Legislature passed a $92 billion General Fund State Budget that closed the State's then-remaining $15.7 billion deficit and rebuilt a $1 billion General Fund reserve (the **"2012-13 State Budget"**). The 2012-13 State Budget relied on a plan to submit to the voters on November 6, 2012 the Schools and Local Public Safety Protection Act, a $6.9 billion tax increase, known as Proposition 30 (the **"Proposition 30"**). Proposition 30, which obtained the requisite majority vote, enacted temporary increases on high-income earners by raised income taxes by up to three percent on earnings over $250,000 for seven years, and increased the state sales tax by one-quarter of one cent for four years. The 2012-13 Budget also contains reductions in expenditures from prior years spending totaling $8.1 billion, including reductions caused by elimination of the Healthy Families program and by reforms relating to the CalWORKs, Medi-Cal, Judiciary and Cal Grant programs. The 2012-13 Budget expects $1.5 billion in savings will be generated as the result of the transfer of cash assets previously held by redevelopment agencies to cities, counties and special districts to fund core public services and to schools to offset State General Fund costs. An additional $1.9 billion in savings will arise due to prepayment of the State's Proposition 98 funding as required by a court settlement. Governor Brown signed the 2012-13 Budget on June 27, 2012.

The complete 2012-13 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Series 2012 Bonds.

The execution of 2012-13 Budget may be affected by numerous factors, including but not limited to: (i) national, State and international economic conditions, (ii) litigation risk associated with proposed spending reductions, (iii) failure to generate expected savings as a result of the transfer of cash assets previously held by redevelopment agencies and (iv) other factors, all or any of which could cause the revenue and spending projections made in 2012-13 Budget to be unattainable. The District cannot predict the impact that the 2012-13 Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the District cannot predict the accuracy of any projections made in the State's 2012-13 Budget.

2013-14 Proposed State Budget

On January 10, 2013, Governor Brown presented his Proposed State Budget for the 2013-13 Fiscal Year (the "**2013-14 State Budget**"), the first balanced budget presented in many years. The 2013-14 State Budget proposes a multi-year plan that is balanced, maintains a $1 billion reserve, and pays down budgetary debt from past years. Overall State General Fund spending is projected to grow by 5 percent, from $93 billion in Fiscal Year 2012-13 to $97.7 billion in Fiscal Year 2013-14. The majority of the spending growth is in education and health care. Under the 2013-14 State Budget, funding levels for K-12 schools will increase by almost $2,700 per student through 2016-17, including an increase of more than $1,100 per student in 2013-14 over 2011-12 levels, which increased funding is tied to new accountability measures. Funding is also increased for the University of California and California State University higher education systems. The 2013-14 Budget includes a $350 million allocation from the State's General Fund to begin to pay for the implementation of federally-required expansions of State health care coverage.

The complete 2013-14 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Refunding Bonds.

The execution of 2013-14 State Budget may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, State and international economic conditions, (ii) litigation risk associated with proposed spending reductions, (iii) rising health care costs and (iv) other factors, all or any of which could cause the revenue and spending projections made in 2013-14 State Budget to be unattainable. The District cannot predict the impact that the 2013-14 State Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the District cannot predict the accuracy of any projections made in the State's 2013-14 State Budget, or the accuracy of its attempts to project and budget for past and future Trigger Cuts that may affect it.

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

The State has not entered into any contractual commitment with the District, the County, or the Owners of the Series 2012 Bonds to provide State budget information to the District or the owners of the Series 2012 Bonds. Although they believe the State sources of information listed above are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State Budget information set forth or referred to in this Official Statement or incorporated herein. However, the Series 2012 Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in recent years, and is likely to be further challenged in the future. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "-State Funding of Education" and "-Recent State Budgets" above.

2010 Robles-Wong Litigation. On May 20, 2010, a plaintiff class of numerous current California public school students and several school districts, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In Maya Robles-Wong, et al. v. State of California, plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school finance. On July 16, 2010, the California Teachers' Association filed a Complaint in Intervention, making the same allegations and seeking the same declaratory and injunctive relief. On January 14, 2011, the court dismissed certain of the causes of action, including causes of action that alleged a constitutional right to a particular level of education funding and violations of equal protection of the law, based on certain State constitutional provisions. On July 26, 2011, the Superior Court rejected the plaintiff's amended complaint as not stating an equal protection claim. On January 25, 2012, the plaintiffs filed an appeal in the 1st Appellate District. The District cannot predict the ultimate outcome of the Robles-Wong litigation. However, if successful, the lawsuit could result in changes to the implementation of school finance in the State of California.

2011 CSBA Litigation. 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 announced on August 28, 2011 that they were filing a lawsuit (the "**CSBA Lawsuit**") in the Superior County of the City and County of San Francisco, seeking to restore more than $2 billion that had been designated to California public schools under Proposition 98, but was cut from the 2011-12 State Budget. The Superior Court has rejected the CSBA Lawsuit, however the plaintiffs may appeal the decision.

SAN JOAQUIN COUNTY INVESTMENT POOL

Under the California Education Code, the District is required to pay all monies received from any source into the San Joaquin County Treasury to be held on behalf of the District. The County Investment Pool (the "**Investment Pool**" or the "**Pool**") consists of monies deposited with the San Joaquin County Treasurer Tax Collector (the "**Treasurer**") by County departments and agencies, school districts, certain non County governmental agencies and special assessment districts. Most of the Pool's depositors are required by State law to invest their excess moneys in the Pool. Government Code Sections 53601 and 53635 impose restrictions on the investments of government entities. All such restrictions are required by the Policy be adhered to in their entirety. In addition, the Treasurer may make further restrictions to the Code sections if the Treasurer deems such action appropriate.

A wide range of investments is authorized under State law and the Treasurer's Investment Policy adopted on April 30, 2013 (the "**Investment Policy**"). The average daily balance of the pool totals over $1.3 billion. The value of various investments in the Pool will fluctuate on a daily basis as a result of several factors, including generally prevailing interest rates and other economic conditions. For further information concerning County investments or for a copy of the Investment Policy, access the County's website: http://www.sjgov.org/treasurer/Treasury.htm.

The County Treasurer-Tax Collector manages funds deposited in the County Treasury by the County, County School Districts, Special Districts, Trusts and Agencies. State law requires that all moneys of the County, school districts and certain special districts be held in the County by the County Treasurer-Tax Collector. The County Treasurer-Tax Collector has accepted funds only from entities located within the County that consists of approximately 930 funds. Twenty-eight schools represent approximately 50 percent of the pool. The moneys on deposit are predominantly derived from local government revenues consisting of property taxes, State and Federal funding and other fees and charges.

As of April 30, 2013, the Treasurer reported the following summary of maximum percentage limits, by instrument, is established for the County's total pooled funds portfolio:

COUNTY OF SAN JOAQUIN
INVESTMENT POOL
Summary of Assets Held (At Cost)
April 30, 2013

Investment Type	Percentage
U.S. Treasury Bills, Notes and Bonds	0 to 100%
U.S. Government Agency Obligations	0 to 100%
Medium-Term Notes	0 to 30%
Time Deposits	0 to 30%
Commercial Paper	0 to 30%
Bankers Acceptances	0 to 40%
Repurchase Agreements	0 to 100%
Mutual Funds	0 to 20%
Registered State Warrants and Bonds	0 to 100%
Local Agency Investment Fund	$50 million

Source: County Treasurer-Tax Collector

The composition of investments in the County pool will vary from time-to-time depending on cash flow needs of the County and public agencies invested in the pool, the maturity of investments, purchases of new securities, and due to fluctuations in interest rates.

The maturity of investments, excluding investments that have been specifically matched to a bond issue maturity, are subject to the following restrictions at the time of purchase:

1. 20% of the Portfolio is to mature within 30 days.
2. An additional 30% may mature up to 180 days.
3. An additional 25% may mature up to 1 year.
4. An additional 25% may mature up to 3 years.

If for any reason the investment portfolio is not in compliance with the maturity percentages, all new investments will be restricted to 30 days or less until compliance is achieved.

If the market value of all such securities is less than 95% of the original cost, then any further purchase of maturities of longer than one year is prohibited. Purchases of such securities may resume if the total market value is at least 95% of the original cost.

Securities that are purchased to specifically match the maturity of a bond issue are not included in the above requirements. Such securities shall be clearly designated in the appropriate investment reports and journals.

The Treasurer must give written approval for all purchases of securities with a maturity of one year or longer.

The County pool is managed stressing safety, liquidity, and return in that order, as required by California Government Code Section 27000.5. All investments are in compliance with California Government Code Section 53601 *et seq*. and the County Treasurer-Tax Collector's Investment Policy, which was last approved April 2013. Subject to the approval of the Board of Supervisors, the County Treasurer-Tax Collector can amend the Investment Policy. A copy of the current Investment Policy is on file with the Board of Supervisors.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Series B Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. (See "THE SERIES B BONDS - Security" herein.) Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 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 District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Series B Bonds. The tax levied by the County for payment of the Series B Bonds was approved by the District's voters in compliance with Article XIIIA and all applicable laws.

Article XIIIA of the California Constitution

On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any ad valorem tax on real property to one percent of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

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

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent 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 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment 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 is shown at full market value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this

Official Statement is shown at 100 percent of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the California Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979 thereby adding Article XIIIB to the State Constitution ("**Article XIIIB**"). Under Article XIIIB, state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain monies which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit". Article XIIIB does not affect the appropriation of monies which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Unitary Property

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

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

Proposition 1A

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 can not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. 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

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

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

State Cash Management Legislation

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

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

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and 111 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding, see "DISTRICT FINANCIAL INFORMATION –State Funding of Education and Recent Budgets".

Articles XIIIC and XIIID of the California Constitution

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. The District does not impose any such taxes, assessments, fees or charges; and, with the exception of the basic one percent ad valorem property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution, a portion of which is allocated to the District, no such taxes, assessments, fees or charges are imposed on behalf of the District. Accordingly, while 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), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Series B Bonds.

Future Initiatives

Article XIIIA, Article XIIIB, XIIIC, XIIID and Propositions 62, 98, 111 and 22 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time, other initiative measures could be adopted, further affecting the District or its revenues or the ability of the District to expend revenues.

LEGAL OPINION

The proceedings in connection with the issuance of the Series B Bonds are subject to the approval as to their legality of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel for the District. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each Series B Bond. Certain legal matters will also be passed upon for the District by Jones Hall as Disclosure Counsel. The fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Series B Bonds.

TAX MATTERS

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

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

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

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

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

Future legislation, if enacted into law, or clarification of the Tax Code may cause interest on the Series B Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Series B Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Tax Code may also affect the market price for, or marketability of, the Series B Bonds. Prospective purchasers of the Series B Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

CONTINUING DISCLOSURE

The District has covenanted, for the benefit of holders and beneficial owners of the Series B Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board (an "**Annual Report**") not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing March 31, 2014 with the report for the 2012-13 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The notices of material events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of material events is set forth below under the caption "APPENDIX E - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The District has not previously undertaken a reporting obligation pursuant to the Rule.

The District has existing disclosure undertakings that have been made pursuant to the Rule in connection with the issuance of its Series A Bonds. The Annual Report for Fiscal Year 2010-11 was not disseminated at the required time, but was subsequently filed on a late basis. Accordingly, the District has filed all reports and notices required under its existing continuing disclosure undertakings, although once on a late basis. In order to assist it in complying with its disclosure undertakings for its outstanding bonds and the Series B Bonds, the District has engaged Dolinka Group to serve as its dissemination agent with respect to its each of its disclosure undertakings.

NO LITIGATION

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

RATING

Standard & Poor's Ratings Services ("**S&P**") has assigned its municipal bond rating of "AA-" to the Series B Bonds. Such rating reflects only the respective view of S&P and an explanation of the significance of such rating may be obtained from S&P at the following address: Standard & Poor's Ratings Group, 55 Water Street, New York, New York 10041.

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

UNDERWRITING

The Series B Bonds are being purchased by Piper Jaffray & Co. (the "**Underwriter**"). The Underwriter has agreed to purchase the Series B Bonds at a price of $______________, which is equal to the initial principal amount of the Series B Bonds of $________ plus net original issue premium of $________, and less Underwriter's discount of $________.

The purchase contract relating to the Series B Bonds provides that the Underwriter will purchase all of the Series B Bonds (if any are purchased), and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell Series B Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed by the Underwriter.

The Underwriter and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation ("**Pershing LLC**"), entered into an agreement which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to the Underwriter, including the Series B Bonds. Under the agreement, the Underwriter will share with Pershing LLC a portion of the fee or commission paid to the Underwriter.

The Underwriter has entered into a distribution agreement with Charles Schwab & Co., Inc. ("**CS&Co.")** for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the agreement, CS&Co. will purchase Series B Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

Piper Jaffray & Co., as Underwriter, has provided the following sentence for inclusion in the Official Statement: The Underwriter made voluntary contribution(s) to support the election authorizing the Series B Bonds. These contributions are reported to the California Secretary of State by the filing of a Major Donor and Independent Expenditure Committee Campaign Statement (California Fair Political Practices Commission Form 461).

ADDITIONAL INFORMATION

The discussions herein about the Bond Resolution and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of these documents mentioned are available from the Underwriter and following delivery of the Series B Bonds will be on file at the offices of the District. A copying charge may apply.

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

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

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

JEFFERSON SCHOOL DISTRICT

By: ______________________________
Superintendent

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APPENDIX A

ACCRETED VALUE TABLES

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2012

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JEFFERSON ELEMENTARY SCHOOL DISTRICT

OF SAN JOAQUIN COUNTY

TRACY, CALIFORNIA

JUNE 30, 2012

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Dan Wells	President	2014
Debbi Wingo	Vice President	2016
Brian Jackman	Clerk	2014
Pete Carson	Member	2016
Jacqueline Thomas	Member	2014

ADMINISTRATION

Dana Eaton	Superintendent
Mindy Maxedon	Chief Business Officer

JEFFERSON ELEMENTARY SCHOOL DISTRICT

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Cichella & Tokunaga, LLP

Certified Public Accountants

4671 Golden Foothill Parkway ♦ El Dorado Hills, CA 95672 www.ctcpa.net
Voice: (877) 359-9588 ♦ Fax: (916) 941-7234

INDEPENDENT AUDITORS' REPORT

Governing Board
Jefferson Elementary School District
Tracy, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Elementary School District (the District), as of and for the 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 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; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012*, issued by the California Education Audit Appeals Panel as regulations. 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 District, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, 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 December 6, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and the schedule of other postemployment benefits funding progress and employer contribution 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 essential part of the financial reporting 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 District's financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, is presented for purposes of additional analysis and is 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 aforementioned supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

El Dorado Hills, California
December 6, 2012

This section of Jefferson Elementary School District's (the "District") 2011-2012 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 District's financial statements, which immediately follow this section. A comparative analysis has been included in this financial statement in accordance with the Governmental Accounting Standards Board Statement (GASB) No. 34.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District as well as all liabilities (including long-term debt).

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Proprietary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Activities* include the retiree benefits trust fund and agency funds. The agency funds report a balance sheet and do not have a measurement focus. The retiree benefit trust uses the current financial resources measurement focus.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of government is the Jefferson Elementary School District. The District does have a Mello Roos Capital Facilities District Component Unit.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

Total revenue and income received for 2011-12 was $18.0 million, down $0.4 million from 2010-11. Jefferson School District receives 70% of its revenue from the State based on the Revenue Limit. The remaining 30% comes from Lottery, State and Federal grants and interest income. The change in revenue is primarily due to reduced federal income.

Jefferson School District reported P2 ADA of 2,452.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities*, we separate the District activities as follows:

Governmental Activities – All of the District's services are reported in this category. This includes the education of kindergarten through grade eight students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, Federal, State and local grants, as well as certificates of participation, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds – The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which 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 general government operations and the basic services it provides. Government fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The difference of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary Funds – When the District charges users for the service it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Revenue, Expenses and Changes in Fund Net Assets*. We use internal service funds (a type of proprietary fund) to report activities that provide supplies and services for the District's other programs and activities – such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were $43.5 million and $45.3 million for the fiscal years ended June 30, 2012 and 2011, respectively. Of this amount, $7.6 million and $8.6 million were unrestricted for 2012 and 2011. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1); and the change in net assets (Table 2); of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities 2012	Governmental Activities 2011
Assets		
Current and other assets	$ 16.9	$ 18.3
Capital assets	33.9	33.8
Total Assets	**50.8**	**52.1**
Liabilities		
Current liabilities	0.8	0.2
Long-term liabilities	6.5	6.6
Total Liabilities	**7.3**	**6.8**
Net Assets		
Invested in capital assets, net of related debt	27.3	27.3
Restricted	8.6	9.4
Unrestricted	7.6	8.6
Total Net Assets	**$ 43.5**	**$ 45.3**

The $7.6 million in unrestricted net assets of governmental activities represent the accumulated results of all past years' operations.

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 14. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues and expenses for the year.

Table 2

(Amounts in millions)	Governmental Activities 2012	Governmental Activities 2011
Revenues		
Program revenues:		
Charges for services	$ 0.5	$ 0.5
Operating grants and contributions	2.0	2.8
General revenues:		
Federal and State aid not restricted	11.8	11.6
Property taxes	3.1	3.0
Other general revenues	0.6	0.5
Total Revenues	**18.0**	**18.4**
Expenses		
Instruction-related	14.8	14.0
Pupil services	1.7	1.5
Administration	1.3	1.2
Maintenance and operations	1.5	1.6
Other	0.5	0.2
Total Expenses	**19.8**	**18.5**
Change in Net Assets	**$ (1.8)**	**$ (0.1)**

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities for the years ended June 30, 2012 and 2011 were $19.8 million and $18.5 million, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $3.1 million and $3.0 million, respectively, because the cost was paid by those who benefited from the programs ($0.5 million and $0.5 million, respectively) or by other governments and organizations who subsidized certain programs with grants and contributions ($2.0 million and $2.8 million respectively). We paid for the remaining "public benefit" portions of our governmental activities with $11.8 and $11.6 million, respectively, in other Federal and State sources, and $0.6 million and $0.5 million, respectively, in other revenues, like interest and general entitlements.

In Table 3, we have presented the net cost of each of the District's five largest functions – instruction, administration, pupil services, maintenance and operations, and other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Amounts in millions)	Net Cost of Services	
	2012	2011
Instruction	$ 13.5	$ 12.0
Pupil Services	0.6	0.4
Administration	1.3	1.2
Maintenance and Operations	1.5	1.6
Other	0.3	-
Total	**$ 17.2**	**$ 15.2**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $15.9 million, which is an decrease of $1.8 million from last year.

Table 4

	Balances and Activity			
	July 1, 2011	Revenues	Expenditures	June 30, 2012
General	$ 9,048,657	$ 16,647,525	$ 17,681,447	$ 8,014,735
Building Fund	5,963,193	33,982	981,547	5,015,628
Cafeteria	149,848	818,136	852,895	115,089
Deferred Maintenance	624,777	86,185	20,505	690,457
Pupil Transportation	212,893	20,543	-	233,436
Capital Projects Blended Component Unit	51,148	6,705	-	57,853
County School Facilities	5,569	1	-	5,570
Bond Interest and Redemption Fund	71,864	373,187	230,855	214,196
Capital Facilities	1,575,284	65,530	135,442	1,505,372
Total	**$ 17,703,233**	**$ 18,051,794**	**$ 19,902,691**	**$ 15,852,336**

The primary reasons for these changes are:

- The district general fund was reduced by $1.0M by deficit spending. District is entering a budget reduction process to identify and implement ongoing reductions to alleviate the deficit spending in future years.
- The building fund declined by $0.9M due to spending of funds on planned projects during the year.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 19, 2012. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 52.

The District originally projected revenues of approximately $16.5 million. The revised budget projected revenues of $16.6 million, an increase of approximately $0.1 million.

- Changes in State and Federal revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had $33.9 million (net of accumulated depreciation) in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount is consistent with prior years.

Table 5

(Amounts in millions)	Capital Assets 2012	Capital Assets 2011
Land	$ 5.8	$ 5.8
Construction in progress	1.3	0.3
Building and improvements	26.6	27.3
Equipment	0.2	0.3
Totals	**$ 33.9**	**$ 33.7**

Long-Term Obligations

At June 30, 2012, the District had $6,632,075 in long-term liabilities. The District's overall long-term obligations are summarized in Table 6.

Table 6

	Long-Term Obligations	
	2012	2011
General Obligation Bonds	$ 6,433,388	$ 6,397,194
Premiums, net of Amortization	69,069	71,464
Capitalized lease obligations	78,975	102,303
Other	50,643	43,093
Totals	**$ 6,632,075**	**$ 6,614,054**

We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2011-2012 ARE NOTED BELOW:

- The district began construction of the first round of projects from Measure J. The passage of Measure J in November 2010, provided $35.4 million in general obligation bonds to be used for modernization and facilities project at all four school sites. In 2011-12, the district began construction on the first round of projects utilizing Measure J funds. Updates about planned, in process and completed projects can be found on our website: www.jeffersonschooldistrict.com.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In considering the District Budget for the 2012-2013 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast at budget were:

- Incorporated a $423 per ADA reserve to plan for the possibility Proposition 30 will not pass in November, 2012.
- Deficit factor of 22.272%.
- State income (categoricals) moved to unrestricted as per Categorical Flexibility allowed.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Grades kindergarten through third	1:20	1,025
Grades four through eight	1:30	1,490

The key assumptions in our expenditure forecast are:

- Step & column movement projected at 1.9% for certificated staff and 0.7% for classified staff.
- Health and welfare budgeted at $10,000 cap at budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Mindy Maxedon, Chief Business Officer, Business Services, at Jefferson Elementary School District, 1219 Whispering Wind Road, Tracy, California, 95377, mmaxedon@sjcoe.net.

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS	
Deposits and investments	$ 11,367,057
Receivables	5,236,432
Deferred Charges	284,268
Stores inventories	9,070
Capital assets	43,324,364
Less: Accumulated depreciation	(9,422,463)
Total Assets	50,798,728
LIABILITIES	
Accounts payable	687,053
Deferred revenue	236
Current portion of long-term obligations	82,161
Noncurrent portion of long-term obligations	6,549,914
Total Liabilities	7,319,364
NET ASSETS	
Invested in capital assets, net of related debt	27,356,663
Restricted for:	
Debt service	214,196
Educational programs	757,938
Capital projects	6,584,423
Other activities	1,038,982
Unrestricted	7,527,162
Total Net Assets	$ 43,479,364

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	$ 12,988,910	$ 8,943	$ 1,121,335	$ 13	$ (11,858,619)
Instruction-related activities:					
Supervision of instruction	173,596	350	35,647	-	(137,599)
Instructional library, media, and technology	249,435	2,523	5,304	-	(241,608)
School site administration	1,398,436	904	88,344	-	(1,309,188)
Pupil services:					
Home-to-school transportation	256,672	30,428	132,529	-	(93,715)
Food services	852,895	391,025	369,683	-	(92,187)
All other pupil services	568,405	-	106,752	-	(461,653)
Administration:					
All other administration	1,175,678	6	16,987	-	(1,158,685)
Data processing services	104,734	-	-	-	(104,734)
Plant services	1,478,393	8,076	16,977	-	(1,453,340)
Ancillary services	41,869	-	-	-	(41,869)
Enterprise Activities	-	-	-	-	-
Interest on long-term obligations	267,049	-	-	-	(267,049)
Other outgo	220,591	27,496	116,634	-	(76,461)
Total Governmental Activities	$ 19,776,663	$ 469,751	$ 2,010,192	$ 13	(17,296,707)
	General revenues and subventions:				
	Property taxes, levied for general purposes				3,086,808
	Federal and State aid not restricted to specific purposes				11,815,997
	Interest and investment earnings				19,820
	Miscellaneous				593,069
	Subtotal, General Revenues				15,515,694
	Change in Net Assets				(1,781,013)
	Net Assets - Beginning				45,260,377
	Net Assets - Ending				$ 43,479,364

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS – BALANCE SHEET
JUNE 30, 2012

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 3,119,178	$ 5,503,484	$ 2,671,498	$ 11,294,160
Receivables	5,189,217	2,892	44,286	5,236,395
Due from other funds	18,456	-	104,615	123,071
Stores inventories	-	-	9,070	9,070
Total Assets	8,326,851	5,506,376	2,829,469	16,662,696
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	207,265	476,683	3,105	687,053
Due to other funds	104,615	14,065	4,391	123,071
Deferred revenue	236	-	-	236
Total Liabilities	312,116	490,748	7,496	810,360
Fund Balances:				
Nonspendable	5,000	-	9,070	14,070
Restricted	752,938	5,015,628	2,122,446	7,891,012
Committed	-	-	690,457	690,457
Assigned	2,938,818	-	-	2,938,818
Unassigned	4,317,979	-	-	4,317,979
Total Fund Balance	8,014,735	5,015,628	2,821,973	15,852,336
Total Liabilities and Fund Balances	$ 8,326,851	$ 5,506,376	$ 2,829,469	$ 16,662,696

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2012

Total Fund Balance - Governmental Funds		**$ 15,852,336**
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 43,324,364	
Accumulated deprecation is	(9,422,463)	
Net Capital Assets		33,901,901
Expenditures related to issuance of debt were recognized in the year of issuance in the governmental funds but are recorded as deferred charges on the statement of net assets and amortized over the life of the bond on the government-wide financial statements.		284,268
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		72,934
Long-term obligations are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	6,433,388	
Bond premium, net of amortization	69,069	
Compensated absences (vacations)	50,643	
Capital lease payments	78,975	
Total Long-Term Obligations		(6,632,075)
Total Net Assets - Governmental Activities		$ 43,479,364

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Building Fund	Non Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	$ 12,523,813	$ -	$ -	$ 12,523,813
Federal sources	631,888	-	398,144	1,030,032
Other State sources	2,381,493	-	111,830	2,493,323
Other local sources	1,096,266	33,982	840,313	1,970,561
Total Revenues	16,633,460	33,982	1,350,287	18,017,729
EXPENDITURES				
Current				
Instruction	12,081,878	-	-	12,081,878
Instruction-related activities:				
Supervision of instruction	173,596	-	-	173,596
Instructional library, media and technology	249,435	-	-	249,435
School site administration	1,398,436	-	-	1,398,436
Pupil services:				
Home-to-school transportation	256,672	-	-	256,672
Food services	-	-	852,895	852,895
All other pupil services	568,405	-	-	568,405
Administration:				
All other administration	1,175,678	-	-	1,175,678
Data processing services	104,734	-	-	104,734
Plant services	1,400,012	-	92,446	1,492,458
Facility acquisition and construction	-	967,482	63,501	1,030,983
Ancillary services	41,869	-	-	41,869
Other outgo	210,732	-	-	210,732
Debt service				
Principal	-	-	-	-
Interest and other	-	-	230,855	230,855
Total Expenditures	17,661,447	967,482	1,239,697	19,868,626
Excess (Deficiency) of Revenues Over Expenditures	(1,027,987)	(933,500)	110,590	(1,850,897)
Other Financing Sources (Uses)				
Transfers in	14,065	-	20,000	34,065
Other Sources	-	-	-	-
Transfers out	(20,000)	(14,065)	-	(34,065)
Net Financing Sources (Uses)	(5,935)	(14,065)	20,000	-
NET CHANGE IN FUND BALANCES	(1,033,922)	(947,565)	130,590	(1,850,897)
Fund Balance - Beginning	9,048,657	5,963,193	2,691,383	17,703,233
Fund Balance - Ending	$ 8,014,735	$ 5,015,628	$ 2,821,973	$ 15,852,336

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES JUNE 30, 2012

Total Changes in the Fund Balance - Governmental Funds		**$ (1,850,897)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
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 of net assets and allocated over their estimated useful lives as annual depreciation		
This is the amount by which capital outlays exceeds depreciation in the period.		
Depreciation expense	$ (913,707)	
Capital outlays	1,045,048	
Net Expense Adjustment		131,341
In the statement of activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). At year-end, compensated absences earned was great than amounts used.		(7,550)
Accreted interest on capital appreciation bonds is accrued as long-term debt in the government-wide financials, increasing expense.		(36,194)
Bond premiums are revenue in the governmental funds in the year bonds are issued, but are recorded as a long-term liability and amortized over the term of the bonds in the statement of net assets.		2,395
Capital lease payments are expenditures in the governmental funds. However, the capital lease payments are not expenses in the statement of activities, but instead reduce the long-term liabilities in government wide financial statements.		23,328
Payment of the cost of issuance of bonds are expenditures in the governmental funds, however, they are reported as a deferred charge and amortized over the life of the bond in the government wide financial statement		(9,859)
Proceeds from refund of cost of issuance of bond provided current financial resources to governmental funds.		(19,081)
OPEB costs are recognized as expenditures in the fund statements, but are deferred in the government-wide statement.		(11,498)
Speical Education mandate settlement received in the current fiscal year in the governmental fund was accrued in prior years in the statement of net assets, therefore it is excluded in the statement of activities.		(4,452)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds.		1,454
Change in Net Assets of Governmental Activities		$ (1,781,013)

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

PROPRIETARY FUND
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 72,897
Receivables	37
Total Current Assets	72,934
NET ASSETS	
Unrestricted	72,934
Total Net Assets	$ 72,934

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	$ 1,271
Total Operating Revenues	1,271
OPERATING EXPENSES	
Services and other operating cost	-
Total Operating Expenses	-
Operating Income (Loss)	1,271
NONOPERATING REVENUES (EXPENSES)	
Interest income	183
Total Nonoperating Revenues (Expenses)	183
Income (Loss) Before Capital Contributions	1,454
Change in Net Assets	1,454
Total Net Assets - Beginning	71,480
Total Net Assets - Ending	$ 72,934

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

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
JUNE 30, 2012

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash from Local Sources	$ 1,271
Net Cash Provided (Used) for Operating Activities	1,271
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	250
Net Cash Provided (Used) from Investing Activities	250
Net Increase in Cash and Cash Equivalents	1,521
Cash and Cash Equivalents - Beginning	71,376
Cash and Cash Equivalents - Ending	$ 72,897

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

FIDUCIARY FUND
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Retiree Benefits Trust	Scholarship Trust	Agency Funds (ASB)
ASSETS			
Deposits and investments	$ 313,282	$ 1,858	$ 60,122
Receivables	164	-	-
Total Assets	313,446	1,858	60,122
LIABILITIES			
Accounts payable	-	-	-
Due to student groups	-	-	60,122
Total Liabilities	-	-	$ 60,122
NET ASSETS			
Unreserved	313,446	1,858	
Total Net Assets	$ 313,446	$ 1,858	

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

JEFFERSON ELEMENTARY SCHOOL DISTRICT

FIDUCIARY FUND
STATEMENT OF CHANGES IN NET ASSETS
JUNE 30, 2012

	Retiree Benefits Trust	Scholarship Trust
ADDITIONS		
Private donations	$ -	$ 546
District contributions	70,560	-
Interest and investment earnings	829	-
Total Additions	71,389	546
DEDUCTIONS		
Other expenditures	88,057	-
Total Deductions	88,057	-
Change in Net Assets	(16,668)	546
Net Assets - Beginning	330,114	1,311
Net Assets - Ending	$ 313,446	$ 1,857

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Jefferson Elementary School District was organized in June 1870 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-8 as mandated by the State and/or Federal agencies. The District operates three elementary and one middle school.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Jefferson Elementary School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially responsible. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit discussed below is reported in the District's financial statements because of the significance of its relationship with the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the benefit of the District.

The Community Facilities District No. 1 (CFD) was formed under the provisions of the Mello-Roos Community Facilities Act of 1982, was amended by Chapter 2.5, Part I, Division 2, Title 5 of the Government Code of the State of California established March 30, 1989. For financial presentation, the CFD's financial activity has been blended or combined with the financial data for the District. The financial statements present the CFD's financial activity within the Capital Projects for Blended Component Units and the Debt Service for Blended Units Funds. Individually-prepared financial statements are not prepared for the CFD.

Other Related Entities

Public Entity Risk Pools and Joint Powers Authorities The District is associated with public entity risk pools and two joint powers authorities. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

San Joaquin County Schools Workers' Compensation Insurance Group
San Joaquin County Schools Property and Liability Insurance Group
San Joaquin County Schools Data Processing Group
Tracy Area Public Facilities Financing Agency

Basis of Presentation – Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad range fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds.

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all Districts. It is used to account for the ordinary operations of a District. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purpose other than those for which the bonds were issued.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities. The District maintains the following special revenue funds:

> **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State and local resources to operate the food service program (Education Code Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (Education Code Sections 38091 and 38100).
>
> **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (Education Code Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.
>
> **Pupil Transportation Equipment Fund** The Pupil Transportation Fund is used to account separately for State and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students (Educational Code Section 41852[b]).

Capital Project Funds The Capital Project Funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The District maintains the following capital project funds:

County School Facilities Fund The County School Facilities Fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070 et seq.).

Capital Projects Fund for Blended Component Units The Capital Projects Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facility Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's trust funds are the Scholarship Trust and the Retiree Benefits Trust funds. Agency funds are custodial in nature (assets equal liabilities). The District's agency fund accounts for student body activities (ASB).

Basis of Accounting – Measurement Focus

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 nonfiduciary activities of the District and its component units.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs 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 identified 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 and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other finances sources) and uses (expenditures and other financing uses) or current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds The Fiduciary activities are reflected in the retiree benefits trust fund and agency funds. The agency funds report a balance sheet and do not have a measurement focus. The retiree benefit trust used the current financial resources measurement focus.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that 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. Generally, available is defined as collectible within 45 or 60 days. 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-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measureable and available at fiscal year-end: State apportionments, interest, certain gains, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue Deferred revenue arises when potential revenue does not meet both the "measureable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met, are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2012, 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. Fair values of investments in county investment pool are determined by the program sponsor.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

Stores Inventories

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by nonspendable fund balance which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The District's cafeteria inventory valuation is First-in-First-out (FIFO).

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net assets. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

In the financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental column of the statement of net assets, which are presented as internal balances.

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from government funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for repayment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

Fund Balance Reporting

The District reports fund balance within one of the following categories:

Nonspendable such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resources providers, or through enabling legislation,

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Directors (the district's highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Committed Fund Balance Policy For funds that are determined to fall within the "Committed Fund Balance" classification, the Governing Board, as the District's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specific use through the same type of formal action taken to establish the commitment. Governing Board action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30th; however, the amount can be determined with the release of the financial statements.

Assigned Fund Balance Policy Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. The District delegates the authority to assign amounts to be used for specific purposes to the Chief Business Official for the purpose of reporting these amounts in the financial statements.

Minimum Fund Balance Policy The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

The District has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 3 percent of total General Fund expenditures, other uses and transfers out at the close of each fiscal year, consistent with the recommended level promulgated by the State of California.

Order of Fund Balance Spending Policy For which amounts in any of the unrestricted fund balance classifications could be used, the District's policy is to apply expenditures in the following order: committed, assigned, and then unassigned.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balances amounts for the non-general funds are classified as restricted fund balance.

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balances for the non-general fund.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are for in-district charges for the self-insurance. Operating expenses are necessary costs incurred to provide the goods or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements of activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1^{st} of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all amendments have been accounted for. For purposes of the budget, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Joaquin bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

In March 2012, the GASB issued Statement No. 66, Technical Corrections 2012 an amendment of GASB Statements No. 10 and No. 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight - line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases,* and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* respectively.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

Statement No. 67, Financial Reporting for Pension Plans, revises existing standards of financial reporting for most pension plans. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

> Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
>
> Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
>
> Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is encouraged.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

Governmental activities	$	11,294,160
Proprietary fund		72,897
Fiduciary funds		375,262
Total Deposits and Investments	$	11,742,319

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

Cash on hand and in banks	$	64,489
Cash in revolving accounts		5,000
Investments		11,672,830
Total Deposits and Investments	$	11,742,319

Policies and Practices

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 placed with commercial banks and/or savings and loan companies; 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.

Investment in County Treasury – 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 fair value of the District's investment in the pool is reported in the accounting financial statements at amounts 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). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

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	45 days	30%	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 Corporate 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 Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool. The fair value of the county cash pool was $11,687,014, and the weighted average maturity was 308 days.

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 government 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. As of June 30, 2012, the District's bank balance of $64,489 with a carrying amount of $65,122, was under $250,000 and therefore covered under Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risks – 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 California Government Code does not contain legal or policy requirements that would limit the custodial credit risk for investments.

NOTE 3 – RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Proprietary Fund
Federal Government					
Categorical aid	$ 255,619	$ -	$ 39,798	$ 295,417	$ -
State Government					
Apportionment	4,021,142	-	-	4,021,142	-
State Categorical	450,493		-	450,493	-
Other State	261,924	-	3,181	265,105	-
Interest	3,354	2,892	1,307	7,553	37
Other Local Sources	196,685	-	-	196,685	-
Total	$ 5,189,217	$ 2,892	$ 44,286	$ 5,236,395	$ 37

NOTE 4 – CAPITAL ASSETS

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

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 5,825,263	$ -	$ -	$ 5,825,263
Construction in Progress	329,519	1,045,048	114,942	1,259,625
Total Capital Assets Not Being Depreciated	6,154,782	1,045,048	114,942	7,084,888
Capital Assets Being Depreciated:				
Land Improvements	-	48,830	-	48,830
Buildings and Improvements	34,595,873	66,112	-	34,661,985
Furniture and Equipment	1,528,661	-	-	1,528,661
Total Capital Assets Being Depreciated	36,124,534	114,942	-	36,239,476
Total Capital Assets	42,279,316	1,159,990	114,942	43,324,364
Less Accumulated Depreciation:				
Buildings and Improvements	7,293,115	823,412		8,116,527
Furniture and Equipment	1,215,641	90,295		1,305,936
Total Accumulated Depreciation	8,508,756	913,707	-	9,422,463
Governmental Activities Capital Assets, Net	$ 33,770,560	$ 246,283	$ 114,942	$ 33,901,901

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	$ 913,707

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2012, consisted of the following:

	Due To			
Due From	General Fund	Building Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 14,065	$ 4,391	$ 18,456
Non-Major Governmental Fund	104,615	-	-	104,615
	$ 104,615	$ 14,065	$ 4,391	$ 123,071

	Transfer To			
Transfer From	General Fund	Building Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ -	$ 20,000	$ 20,000
Building Fund	14,065	-	-	14,065
	$ 14,065	$ -	$ 20,000	$ 34,065

Reasons for the interfund transfers are as follows:

The Building Fund transferred to the General Fund for legal fees for bond	$ 14,065
The General fund transferred to the Pupil Transportation fund for contributions to the Bus allowance.	20,000
	$ 34,065

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consisted of the following:

	Governmental Funds			
	General Fund	Building Fund	Non-Major General Fund	Total
Salaries and Benefits	$ 78,604	$ -	$ 189	$ 78,793
Construction	-	476,683	-	476,683
All other payables	128,661	-	2,916	131,577
Total	$ 207,265	$ 476,683	$ 3,105	$ 687,053

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2012, consists of the following:

	General Fund
Federal financial assistance	$ 236

NOTE 8 – LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due in One Year
General Obligation Bonds	$ 6,397,194	$ 36,194	$ -	$ 6,433,388	$ 55,000
Accumulated vacation - net	43,093	65,384	57,834	50,643	-
Capital Lease	102,303	-	23,328	78,975	24,766
	$ 6,542,590	$ 101,578	$ 81,162	$ 6,563,006	$ 79,766
Premiums, net of amortization	71,464	-	2,395	69,069	2,395
	6,614,054	101,578	83,557	6,632,075	82,161

Bonded Debt

In April 2011, Jefferson School District issued Series A of the Election of 2010 in the amounts of $5,830,000 in current interest bonds and $567,194 in capital appreciation bonds. Interest on the current interest bonds is payable on August 1 and February 1 of each year, commencing August 1, 2011. The capital appreciation bonds accrete interest compounded semi-annually on August 1 and February 1, commencing August 1, 2022. The proceeds from the sale of the bonds will be used for the acquisition, construction and furnishing of equipment for district facilities.

The outstanding general obligation bonded debt of the District at June 30, 2012 is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2011	Issued	Redeemed	Bonds Outstanding June 30, 2012
4/27/2011	2041	2.0% - 5.5%	$ 6,397,194	$ 6,397,194	$ -	$ -	$ 6,397,194

Debt Service Requirements to Maturity

The bonds mature through 2041 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2013	$ 55,000	$ 319,644	$ 374,644
2014	60,000	318,544	378,544
2015	70,000	316,744	386,744
2016	10,000	314,644	324,644
2017	20,000	314,344	334,344
2018-2022	285,000	1,550,918	1,835,918
2023-2027	654,096	1,536,375	2,190,471
2028-2032	260,544	2,451,423	2,711,967
2033-2037	2,122,554	1,244,408	3,366,962
2038-2041	2,860,000	413,050	3,273,050
Subtotal	6,397,194	$ 8,780,094	$ 15,177,288
Accretions to date	36,194		
Total	$ 6,433,388		

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2012, amounted to $50,643.

Capital Leases

The District's liability on lease agreements at June 30, 2012 with options to purchase is summarized below:

	Copier Leases
Balance, July 1, 2011	$ 102,303
Additions	-
Payments	(23,328)
Balance, June 30, 2012	$ 78,975

The capital leases have minimum payments as follows:

Year Ending June 30,	Lease Payments
2013	$ 28,831
2014	28,831
2015	28,831
Total	86,493
Less: Amount Representing Interest	(7,518)
Present Value of Minimum Lease Payments	$ 78,975

NOTE 9 – FUND BALANCES

Fund balances with reservations and designations are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Fund Balances				
Nonspendable:				
Revolving cash	$ 5,000	$ -	$ -	$ 5,000
Stores	-	-	9,070	9,070
Restricted for:				
Adult Basic Education	-	-	-	-
Facilities	-	-	1,510,942	1,510,942
Modernization	-	5,015,628	-	5,015,628
Bond refunding	-	-	214,196	214,196
Other fund activities	752,938	-	397,308	1,150,246
Committed to:				
Deferred Maintenance	-	-	690,457	690,457
Other commitments	-	-	-	-
Assigned to:				
Mandated Costs	271,309	-	-	271,309
Instructional Materials	414,819	-	-	414,819
Board Designated Reserves	500,000	-	-	500,000
Lottery	707,406	-	-	707,406
ADA Reserve	1,045,284	-	-	1,045,284
Unassigned:				
Reserve for Economic Uncertainty	4,317,979	-	-	4,317,979
Total Fund Balance	8,014,735	5,015,628	2,821,973	15,852,336

NOTE 10 – NET OPEB OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Jefferson School District. The Plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 5 retirees and beneficiaries currently receiving benefits and 7 active plan members.

	Certificated	**Management**
Benefit Types Provided	Medical, dental and vision	Medical, dental and vision
Duration of Benefits	To age 70; plus one month for each 3 days of accumulated sick leave beyond 50	To age 70; plus one month for each 3 days of accumulated sick leave beyond 50
Required Service	25 Years	25 Years
Minimum Age	58	58
Dependent Coverage	Yes	Yes
District Contribution %	100%	100%
District Cap	$10,000 per year	$10,000 per year

Contribution Information

The contribution requirements of the District are established and may be amended by the District and the eligible plan members. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits. For fiscal year 2011-2012, the District contributed $56,448 to the plan, a portion of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The District's ARC for the current year was $92,468 which was fully funded through contributions made during the year.

Annual required contribution	$ 92,468
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	92,468
Contributions made	(56,448)
Decrease in net OPEB asset	36,020
Net OPEB asset, beginning of year	285,076
Net OPEB asset, end of year	$ 249,056

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012 was as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net OPEB Asset
2011	$ 66,118	100%	$ 285,076
2012	$ 92,468	61%	$ 249,056

Funded Status and Funding Progress

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

Actuarial Methods and Assumptions

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

In the June 1, 2008, actuarial valuation, the entry age normal actuarial method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio. Additionally, actuarial assumptions include a 4 percent per year trend increase in healthcare costs. The UAAL is being amortized at a level dollar method for a static 30 years. The remaining amortization period at June 1, 2008, was 30 years. The actuarial value of assets was determined at $285,076.

NOTE 11 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2012, the District contracted with San Joaquin County Schools for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2011-2012, the District participated in the San Joaquin County Schools Workers' Compensation (SJCSWC), an insurance purchasing pool. The intent of the SJCSWC is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SJCSWC. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SJCSWC. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of each participated school districts. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the SJCSWC.

Employee Medical Benefits

The District has contracted with the Self Insured Schools of California (SISC) to provide classified employee medical and surgical benefits. Self Insured Schools of California is a shared risk pool comprised of Districts within California. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool. The District's teachers union independently contracted with the Consolidated Benefit Trust (CBT) to provide certified employee medical and surgical

Coverage provided by San Joaquin County School Workers' Compensation Group and San Joaquin County Schools Property and Liability Group for property and liability and workers' compensation is as follows:

Insurance Program/Company Name	Type of Coverage	Limits	
Workers' Compensation Program			
San Joaquin County Schools Workers' Compensation Group	Workers' Compensation	State Statutory Limits	
Other Insurance			
The Fidelity and Deposit Company of Maryland	Crime	$ 5,000,000	
Hartford Steam Boiler	Equipment Breakdown	$ 100,000	
Chubb	EDP	$ 8,036,719	
Property and Liability		Property Limits	Liability Limits
Northern California Regional Excess of Liability Fund (ReLIEF)	Property and Liability	$25,000-$250,000	$50,000-$1,000,000
Schools Association for Excess Risk (SAFER)	Property and Liability	$250,000-$250,000,000	$1,000,000-$24,000,000

NOTE 12 – 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).

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 and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012 was 8.25 percent 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 ending June 30, 2012, 2011, and 2010, were $757,646, $703,744, and $679,559, respectively, and equal 100 percent of the required contributions for each year.

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, and legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rates are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 10.923 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011, and 2010, were $243,793, $244,188, and $228,166, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $228,415 (2.541 percent of salaries subject to CalSTRS). No contributions were made for CalPERS for the year ended June 30, 2012. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the General Fund Budgetary Schedule. These amounts have not been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

Litigation

The District is involved in various legal litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2012.

NOTE 14 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the San Joaquin County School Workers' Compensation Insurance Group (SJCSWCIG), San Joaquin County Schools Property and Liability Insurance Group (SJCSP&LIG) public entity risk pools, Tracy Area Public Facilities Financing Agency (TAPFFA) joint powers agency, and the San Joaquin County Schools Data Processing Group (SJCSDPC). The District pays an annual premium to the applicable entity for its health, worker's compensation, legal services, data processing, and property liability coverage. The relationships between the District and the JPA's are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended, the District made payments of $217,520, $98,931 and $83,599 to the San Joaquin County School Workers' Compensation Insurance Group, San Joaquin County Schools Property and Liability Insurance Group, and San Joaquin County Schools Data Processing, respectively, for the workers' compensation insurance, property and liability insurance, and data processing.

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II - Required Supplementary Information

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GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts (GAAP Basis)			Variances - Positive (Negative)
	Original	Final	Actual (GAAP Basis)	Final to Actual
REVENUES				
Revenue limit sources	$ 12,509,676	$ 12,523,813	$ 12,523,813	$ -
Federal sources	622,868	631,888	631,888	-
Other State sources	2,270,157	2,381,493	2,381,493	-
Other local sources	1,103,001	1,096,266	1,096,266	-
Total Revenues	16,505,702	16,633,460	16,633,460	-
EXPENDITURES				
Current				
Certificated salaries	9,520,744	9,363,464	9,363,464	-
Classified salaries	2,280,792	2,265,658	2,265,658	-
Employee benefits	3,489,771	3,558,228	3,558,228	-
Books and supplies	1,152,479	507,794	507,794	-
Services and operating expenditures	1,963,926	1,755,571	1,755,571	-
Other outgo	196,683	210,732	210,732	-
Total Expenditures	18,604,395	17,661,447	17,661,447	-
Excess (Deficiency) of Revenues Over Expenditures	(2,098,693)	(1,027,987)	(1,027,987)	-
Other Financing Sources (Uses)				
Transfers in	-	14,065	14,065	-
Other Sources	-	-	-	-
Transfers out	(37,000)	(20,000)	(20,000)	-
Net Financing Sources (Uses)	(37,000)	(5,935)	(5,935)	-
NET CHANGE IN FUND BALANCES	(2,135,693)	(1,033,922)	(1,033,922)	-
Fund Balance - Beginning	9,048,657	9,048,657	9,048,657	-
Fund Balance - Ending	$ 6,912,964	$ 8,014,735	$ 8,014,735	$ -

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS AND EMPLOYER CONTRIBUTION
FOR THE YEAR ENDED JUNE 30, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Level Percent of Payroll (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
June 1, 2008	$ 285,076	$ 847,395	$ 562,319	34%	$ 10,890,000	5%
December 8, 2011	$ 332,922	$ 1,423,305	$ 1,090,383	23%	$ 11,500,000	9%

III - Supplementary Information

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JEFFERSON ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
No Child Left Behind Act (NCLB)			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	$ 104,981
Subtotal Title I Grants to Local Educational Agencies Cluster			104,981
Title II, Part A - Teacher Quality	84.367	14341	30,050
Impact Aid	84.041	10014	8,389
Title III - Limited English Proficiency	84.365	14346	86,420
Title IV, Part A, Safe and Drug Free Schools	84.186	14347	2,266
Education Jobs Fund	84.410	25152	6,879
Individuals with Disabilities Education Act (IDEA) Cluster			
IDEA, Basic Local Assistance, Entitlement Part B, Sec 611	84.027	13379	354,175
IDEA, Preschool Grants, Part B, Sec 619	84.173	13430	10,402
IDEA, Preschool Local Entitlement	84.027A	13682	24,379
Subtotal Individiuals with Disabilities Education Act (IDEA) Cluster			388,956
Total U.S. Department of Education			627,941
US DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medi-Cal Billing Option	93.778	10013	36,718
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Breakfast	10.553	13526	38,319
National School Lunch	10.555	13391	302,398
Commodities	10.565	13391	57,427
Total U.S. Department of Agriculture			398,144
Total Expenditures of Federal Awards			$ 1,062,803

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
FOR THE YEAR ENDED JUNE 30, 2012

ORGANIZATION

The Jefferson Elementary School District was established in June 1870 and consists of an area comprising approximately 130 square miles. The District operates three elementary, and one middle school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Dan Wells	President	2014
Debbi Wingo	Vice President	2016
Brian Jackman	Clerk	2014
Pete Carson	Member	2016
Jacquelin Thomas	Member	2014

ADMINISTRATION

Dana Eaton	Superintendent
Mindy Maxedon	Chief Business Officer

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2012

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	226	226
First through third	759	759
Fourth through sixth	804	803
Seventh and eighth	613	613
Home and hospital	2	2
Special education	48	48
Total Elementary	2,452	2,451

See accompanying note to supplementary information.

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2012

Grade Level	1982-83 Actual Minutes	1982-83 Adjusted and Reduced	1986-87 Minutes Requirement	1986-87 Adjusted and Reduced	2011-2012 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	31,500	N/A	36,000	N/A	42,615	180	N/A	Complied
Grade 1	41,780	N/A	50,400	N/A	50,780	180	N/A	Complied
Grade 2	41,780	N/A	50,400	N/A	50,780	180	N/A	Complied
Grade 3	41,780	N/A	50,400	N/A	50,780	180	N/A	Complied
Grade 4	54,000	N/A	54,000	N/A	60,800	180	N/A	Complied
Grade 5	54,000	N/A	54,000	N/A	60,800	180	N/A	Complied
Grade 6	54,000	N/A	54,000	N/A	60,800	180	N/A	Complied
Grade 7	54,000	N/A	54,000	N/A	60,800	180	N/A	Complied
Grade 8	54,000	N/A	54,000	N/A	60,800	180	N/A	Complied

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

FORM ASSET		
Balance, June 30, 2012, Unaudited Actuals	$	36,789,921
Increase in:		
Land improvements		48,830
Buildings and improvements		15,736,524
Furniture and equipment		18,752
Accumulated Depreciation		(5,672,198)
Decrease in:		
Construction in progress		13,019,928
Balance, June 30, 2012, Audited Financial Statements	$	33,901,901
FORM DEBT		
Total Long-Term Obligations, June 30, 2012, Unaudited Actuals	$	6,303,476
Increase in:		
General Obligation Bonds		267,048
Premiums, net of amortization		69,069
Decrease in:		
Capital Leases		(7,518)
Total Long-Term Obligations, June 30, 2012, Audited Financial Statements	$	6,632,075

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

	(Budget) 2013 [1]	2012	2011	2010
GENERAL FUND				
Revenues	$ 16,231,879	$ 16,633,460	$ 17,428,030	$ 16,454,418
Other sources	-	14,065	-	760,119
Total Revenues and Other Sources	16,231,879	16,647,525	17,428,030	17,214,537
Expenditures	17,814,531	17,661,447	16,674,482	16,065,726
Other uses and transfers out	-	20,000	20,000	655,844
Total Expenditures and Other Uses	17,814,531	17,681,447	16,694,482	16,721,570
INCREASE (DECREASE) IN FUND BALANCE	$ (1,582,652)	$ (1,033,922)	$ 733,548	$ 492,967
ENDING FUND BALANCE	$ 6,432,083	$ 8,014,735	$ 9,048,657	$ 8,315,109
AVAILABLE RESERVES [2]	$ 3,667,624	$ 4,317,979	$ 6,440,951	$ 6,224,262
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	20.59%	24.42%	38.58%	37.22%
LONG-TERM OBLIGATIONS	$ 6,513,720	$ 6,632,075	$ 6,614,054	$ 167,921
K-12 AVERAGE DAILY ATTENDANCE AT P-2	2,452	2,452	2,473	2,422

The General Fund balance has decreased by $300,374 over the past two years. The fiscal year 2012-2013 budget projects a budget decrease of $1,582,652. For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses for two of the past three years but anticipates incurring an operating deficit during the 2012-2013 fiscal year. Total long-term obligations have increased by $6,464,154 over the past two years.

Average daily attendance has increased by 30 over the past two years. No additional growth of ADA is anticipated during fiscal year 2012-2013.

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[1] Budget 2013 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

See accompanying note to supplementary information.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2012

Name of Charter School	Included in Audit Report
The District does not sponsor any charter schools.	

See accompanying note to supplementary information.

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Fund
ASSETS			
Deposits and investments	$ 63,803	$ 605,526	$ 213,326
Receivables	43,046	316	110
Due from other funds	-	84,615	20,000
Stores inventories	9,070	-	-
Total Assets	115,919	690,457	233,436
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	830	-	-
Due to other funds	-	-	-
Total Liabilities	830	-	-
Fund Balances:			
Nonspendable	9,070	-	-
Restricted	106,019	-	233,436
Committed	-	690,457	-
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balance	115,089	690,457	233,436
Total Liabilities and Fund Balances	$ 115,919	$ 690,457	$ 233,436

See accompanying note to supplementary information.

Capital Facilities Fund	County Schools Facilities Fund	Capital Projects Blended Component Fund	Bond Interest And Redemption Fund	Total Non-Major Governmental Funds
$ 1,511,253	$ 5,568	$ 57,826	$ 214,196	$ 2,671,498
785	2	27	-	44,286
-	-	-	-	104,615
-	-	-	-	9,070
1,512,038	5,570	57,853	214,196	2,829,469
2,275	-	-	-	3,105
4,391	-	-	-	4,391
6,666	-	-	-	7,496
-	-	-	-	9,070
1,505,372	5,570	57,853	214,196	2,122,446
-	-	-	-	690,457
-	-	-	-	-
-	-	-	-	-
1,505,372	5,570	57,853	214,196	2,821,973
$ 1,512,038	$ 5,570	$ 57,853	$ 214,196	$ 2,829,469

JEFFERSON ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Fund
REVENUES			
Federal sources	$ 398,144	$ -	$ -
Other State sources	27,215	84,615	-
Other local sources	392,777	1,570	543
Total Revenues	818,136	86,185	543
EXPENDITURES			
Current			
Pupil services:			
Food services	852,895	-	-
Plant services	-	20,505	-
Facility acquisition and construction	-	-	-
Debt service			
Interest	-	-	-
Total Expenditures	852,895	20,505	-
Excess (Deficiency) of Revenues Over Expenditures	(34,759)	65,680	543
Other Financing Sources (Uses)			
Transfers in	-	-	20,000
Other Financing Sources (Uses)	-	-	-
Net Financing Sources (Uses)	-	-	20,000
NET CHANGE IN FUND BALANCES	(34,759)	65,680	20,543
Fund Balance - Beginning	149,848	624,777	212,893
Fund Balance - Ending	$ 115,089	$ 690,457	$ 233,436

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Capital Projects Blended Component Fund	Bond Interest And Redemption Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ 398,144
-	-	-	-	111,830
65,530	1	6,705	373,187	840,313
65,530	1	6,705	373,187	1,350,287
-	-	-	-	852,895
71,941	-	-	-	92,446
63,501	-	-	-	63,501
				-
-	-	-	230,855	230,855
135,442	-	-	230,855	1,239,697
(69,912)	1	6,705	142,332	110,590
-	-	-	-	20,000
-	-	-	-	-
-	-	-	-	20,000
(69,912)	1	6,705	142,332	130,590
1,575,284	5,569	51,148	71,864	2,691,383
$ 1,505,372	$ 5,570	$ 57,853	$ 214,196	$ 2,821,973

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity 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 the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) 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.

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.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by *Education Code* Section 46201. Senate Bill 2 of the 2009-10 Fourth Extraordinary Session (SBX4 2) allows for an equivalent five-day reduction to the required number of instruction minutes for the fiscal years 2009-10 through 2012-12.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

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.

Schedule of Charter Schools

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

Non-Major Governmental Funds – Balance Sheet and Statement of Revenue, Expenditures and Change in Fund Balance

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

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IV - Independent Auditors' Reports

Cichella & Tokunaga, LLP
Certified Public Accountants

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Voice: (877) 359-9588 ♦ Fax: (916) 941-7234

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
Jefferson Elementary School District
Tracy, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Elementary School District (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

Crowe Horwath + Tolayan, LLP

El Dorado Hills, California
December 6, 2012

Cichella & Tokunaga, LLP

Certified Public Accountants

4671 Golden Foothill Parkway ♦ El Dorado Hills, CA 95672 www.ctcpa.net
Voice: (877) 359-9588 ♦ Fax: (916) 941-7234

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Governing Board
Jefferson Elementary School District
Tracy, California

Compliance

We have audited Jefferson Elementary School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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

El Dorado Hills, California
December 6, 2012

Cichella & Tokunaga, LLP
Certified Public Accountants

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Voice: (877) 359-9588 ♦ Fax: (916) 941-7234

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Jefferson Elementary School District
Tracy, California

We have audited Jefferson Elementary School District's (the District) compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies,* as applicable to the District's government programs as noted below for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-2012* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material affect on the applicable government programs noted below. An audit including examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2012.

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten compliance	3	Yes
Independent Study	23	No, see below
Continuation education	10	Not applicable

	Procedures in Audit Guide	Procedures Performed
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not applicable
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not applicable
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes
Public hearing requirement – Receipt of funds	1	Yes
Juvenile Court Schools	8	Not applicable
Exclusion of Pupils –Pertussis Immunization	2	Yes
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not applicable
District or charter schools with only one school serving K-3	4	Not applicable
After School Education and Safety Program		
General requirements	4	Not applicable
After school	5	Not applicable
Before school	6	Not applicable
Charter Schools:		
Contemporaneous records of attendance	3	Not applicable
Mode of instruction	1	Not applicable
Non classroom-based instruction/independent study	15	Not applicable
Determination of funding for non-classroom-based instruction	3	Not applicable
Annual instruction minutes classroom based	4	Not applicable

The District's reported ADA for Independent Study was below the materiality level that requires testing; therefore, we did not perform any testing on Independent Study ADA.

This report is intended solely for the information and use of the Governing Board, audit committee, management, the California Department of Education, the State Controller's Office, the California Department of Finance, Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

El Dorado Hills, California
December 6, 2012

V - Schedule of Findings and Questioned Costs

JEFFERSON ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No

Identification of major programs

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.565	Child Nutrition Cluster
84.027, 84.027A, 84.173	Special Education Cluster

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

STATE AWARDS

Type of auditors' report issued on compliance for State programs:	
Unqualified for all programs?	Yes

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

None reported.

JEFFERSON ELEMENTARY SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

There were no prior year findings reported for June 30, 2011.

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APPENDIX C

GENERAL INFORMATION ABOUT THE CITY OF TRACY AND SAN JOAQUIN COUNTY

The following information concerning the City of Tracy (the "City") and San Joaquin County (the "County") are included only for the purpose of supplying general information regarding the community. The Series B Bonds are not a debt of the City, the County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

General

The City of Tracy (the "City") is located in the San Joaquin Valley, inside the triangle formed by Interstate 205 on the north side of the City, Interstate 5 to the east, and Interstate 580 to the southwest. Incorporated in 1910, the City grew rapidly and prospered as an agricultural area even when railroad operations began to decline in the 1950s. Beginning in the 1980s, the City experienced rapid growth as people migrated to the city looking for a more affordable alternative to Bay Area home prices and also for a less hectic lifestyle. A steady period of growth ensued, as many companies found the City an ideal location for their distribution facilities. The City today is home to several of these distribution facilities and is setting its sights on newer industries, including expansion of hi-tech companies from their existing Silicon Valley bases.

The City's climate is hot during summer when temperatures tend to be in the 90's and cold during winter when temperatures tend to be in the 40's.

Population

Population figures for the City, the County and the State for the last five years are shown in the following table.

CITY OF TRACY AND SAN JOAQUIN COUNTY
Population Estimates
Calendar Years 2008 through 2012

Calendar Year	City of Tracy	County San Joaquin	State of California
2008	81,490	672,492	36,704,375
2009	82,040	677,833	36,966,713
2010	82,800	684,057	37,223,900
2011	83,242	689,160	37,427,946
2012	83,900	695,750	37,678,563

Source: State Department of Finance estimates (as of January 1, 2012)

Employment and Industry

The District is included in the Stockton Metropolitan Statistical Area, which includes all of San Joaquin County. The unemployment rate in the County was 14.7 percent in February 2013, down from a revised 15.5 percent in January 2013, and below the year-ago estimate of 16.8 percent. This compares with an unadjusted unemployment rate of 9.7 percent for California and 8.1 percent for the nation during the same period.

Set forth below is data from calendar years 2007 to 2011 reflecting the County's civilian labor force, employment and unemployment. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the District.

STOCKTON METROPOLITAN STATISTICAL AREA
(San Joaquin County)
Civilian Labor Force, Employment and Unemployment
(Annual Averages)

	2007	2008	2009	2010	2011
Civilian Labor Force (1)	289,100	293,200	298,200	300,800	297,600
Employment	265,700	262,800	252,700	248,900	247,400
Unemployment	23,400	30,400	45,400	51,900	50,100
Unemployment Rate	8.1%	10.4%	15.2%	17.3%	16.8%
Wage and Salary Employment: (2)					
Agriculture	14,500	14,900	15,200	15,700	15,100
Mining and Logging	200	200	100	100	100
Construction	13,800	11,400	8,400	7,600	7,300
Manufacturing	21,900	21,200	18,900	17,600	17,500
Wholesale Trade	10,500	10,400	9,900	10,000	10,200
Retail Trade	26,900	25,600	23,700	23,700	24,000
Transportation, Warehousing and Utilities	13,900	14,100	13,900	13,800	14,200
Information	2,500	2,400	2,200	2,100	2,000
Financial Activities	9,900	9,400	8,900	7,700	7,400
Professional and Business Services	18,300	17,600	15,900	15,400	15,000
Educational and Health Services	27,700	28,400	28,300	28,800	29,100
Leisure and Hospitality	17,800	17,500	16,700	16,100	16,200
Other Services	7,700	7,400	7,000	6,500	6,100
Federal Government	3,900	3,900	4,100	4,300	4,000
State Government	4,300	4,300	4,100	3,900	3,800
Local Government	32,100	32,100	31,700	30,000	28,500
Total All Industries	225,900	220,600	209,000	203,400	200,500

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

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

Source: State of California Employment Development Department.

The following table list the major employers within the County, as of January 2013.

SAN JOAQUIN COUNTY
Major Employers
As of January 2013

Employer Name	Location	Industry
All Trade Handyman Mgmt LLC	Tracy	Handyman Services
B & B Ranch	Linden	Ranches
Blue Shield of California	Lodi	Insurance
Deuel Vocational Institution	Tracy	City Govt-Correctional Institutions
Division of Juvenile Justice	Stockton	Government Offices-Us
Foster Care Svc	Stockton	County Government-Social/Human Resources
Lodi Memorial Hospital	Lodi	Hospitals
Lodi Memorial Hospital	Lodi	Home Health Service
Morada Produce Co	Stockton	Fruits & Vegetables-Growers & Shippers
North California Youth Ctr	Not Available	Police Departments
O-G Packing & Cold Storage Co	Stockton	Warehouses-Cold Storage
Pacific Coast Producers	Lodi	Canning (Mfrs)
Picture Me Portrait Studios	Stockton	Photographers-Portrait
Prima Frutta Packing Inc	Linden	Fruit & Produce Packers
Safeway Distribution Warehouse	Tracy	Distribution Centers (Whls)
San Joaquin County Human Svc	Stockton	County Government-Social/Human Resources
San Joaquin General Hospital	French Camp	Hospitals
San Joaquin Sheriff's Office	French Camp	Sheriff
St Joseph's Medical Ctr	Stockton	Medical Centers
Stockton Police Dept	Stockton	Police Departments
Tracy Obstetrics & Gynecology	Tracy	Clinics
University of the Pacific	Stockton	Schools-Universities & Colleges Academic
Walmart Supercenter	Stockton	Department Stores
Waste Management Inc	Lodi	Garbage Collection
Whirlpool Corp	Stockton	Appliances-Household-Major-Man

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

Commercial Activity

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, retail stores data for 2009 through 2011 is not comparable to that of prior years.

A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2011 in the City were reported to be $1.056 million, a 13.7% increase over the total taxable sales of $928 million reported during calendar year 2010.

CITY OF TRACY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2007	831	$976,047	1,517	$1,133,674
2008	848	883,180	1,494	1,026,995
2009(1)	909	752,864	1,338	878,925
2010(1)	961	829,188	1,382	928,740
2011(1)	950	943,829	1,365	1,056,404

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: State Board of Equalization.

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2011 in the County were reported to be $8.43 billion, a 10.8% increase over the total taxable sales of $7.60 billion reported during calendar year 2010.

COUNTY OF SAN JOAQUIN
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2007	6,435	$6,461,257	13,300	$9,326,761
2008	6,824	5,834,396	13,419	8,696,074
2009(1)	8,203	4,974,437	12,297	7,260,073
2010(1)	8,534	5,213,982	12,633	7,602,090
2011(1)	8,337	5,740,948	12,450	8,426,952

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: State Board of Equalization.

Median Effective Buying Income

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

The following table summarizes the total effective buying income for the County of San Joaquin, the State and the United States for the period 2007 through 2011.

CITY OF TRACY AND SAN JOAQUIN COUNTY
EFFECTIVE BUYING INCOME
2007 through 2011

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2007	City of Tracy	$ 1,733,560	$66,438
	San Joaquin County	11,881,045	43,478
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of Tracy	$ 1,762,535	$66,497
	San Joaquin County	11,910,065	43,718
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Tracy	$ 1,914,495	$67,945
	San Joaquin County	12,260,330	44,434
	California	844,823,318	49,736
	United States	6,571,536,768	43,252
2010	City of Tracy	$ 1,713,418	$62,219
	San Joaquin County	11,425,114	42,086
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Tracy	$ 1,716,623	$62,085
	San Joaquin County	11,534,632	42,000
	California	814,578,458	47,062
	United States	6,438,704,664	41,253

Source: The Nielsen Company (US), Inc.

Building Activity

The table below summarizes building activity in the City and the County from calendar years 2007 through 2011.

CITY OF TRACY
Building Permit Activity
Dollars in Thousands

	2007	2008	2009	2010	2011
Permit Valuation					
New Single-family	$3,874.8	$2,787.7	$5,550.4	$4,549.0	$2,951.8
New Multi-family	259.4	0.0	0.0	0.0	0.0
Res. Alterations/Additions	3,900.7	1,583.5	1,219.2	1,914.9	2,042.1
Total Residential	8,034.9	4,371.2	6,769.6	6,464.0	4,993.9
New Commercial	4,158.0	80,023.6	1,339.5	13,184.4	213.6
New Industrial	19,998.0	0.0	0.0	0.0	0.0
New Other	5,609.1	4,470.9	1,587.9	1,234.8	52.7
Com. Alterations/Additions	19,236.4	24,485.6	17,036.6	16,082.3	30,056.6
Total Nonresidential	$49,001.5	$108,980.1	$19,964.0	$30,501.5	$30,322.9
New Dwelling Units					
Single Family	26	18	28	18	11
Multiple Family	2	0	0	0	0
TOTAL	28	18	28	18	11

Source: Construction Industry Research Board, Building Permit Summary

COUNTY OF SAN JOAQUIN
Building Permit Activity
Dollars in Thousands

	2007	2008	2009	2010	2011
Permit Valuation					
New Single-family	$496,495.0	$171,391.3	$160,431.1	$166,223.0	$159,012.2
New Multi-family	41,329.0	4,717.6	0.0	15,426.9	14,853.1
Res. Alterations/Additions	49,874.0	34,289.5	25,995.5	28,058.7	48,093.6
Total Residential	587,698.1	210,398.5	186,426.6	209,708.7	221,958.9
New Commercial	252,935.9	306,150.5	18,405.6	31,521.9	45,422.2
New Industrial	112,741.1	38,172.5	3,102.2	1,333.0	9,669.3
New Other	119,439.9	40,025.0	35,574.4	40,130.0	4,709.7
Com. Alterations/Additions	129,865.0	146,515.9	96,536.3	100,108.9	108,216.9
Total Nonresidential	$614,982.0	$530,863.9	$153,618.4	$173,093.8	$168,018.1
New Dwelling Units					
Single Family	2,138	770	773	801	728
Multiple Family	341	54	0	157	152
TOTAL	2,479	824	773	958	880

Source: Construction Industry Research Board, Building Permit Summary

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

__________, 2013

Board of Education
Jefferson School District
1219 Whispering Wind Drive
Tracy, CA 95377

OPINION: $____________ Jefferson School District (County of San Joaquin, California) General Obligation Bonds, 2010 Election, 2013 Series B

Members of the Board of Education:

We have acted as bond counsel to the Jefferson School District (the "District") in connection with the issuance by the Board of Supervisors of the County of San Joaquin (the "Board") of the Jefferson School District (County of San Joaquin, California) General Obligation Bonds, 2010 Election, 2013 Series B in the aggregate principal amount of $__________ (the "Bonds"), under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"), and under a resolution of the Board adopted on October 9, 2012 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

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

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

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

2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

3. The Bonds have been duly authorized, executed and delivered by the Board and are valid and binding general obligations of the District, and the Board is obligated and is

authorized under the laws of the State of California to cause to be levied a tax, without limit as to rate or amount, upon the taxable property in the District for the payment when due of the principal of and interest on the Bonds.

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

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

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

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$_______________
JEFFERSON SCHOOL DISTRICT
(County of San Joaquin, California)
General Obligation Bonds, 2010 Election
2013 Series B

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Jefferson School District (the "District") in connection with the issuance of $____________ aggregate principal amount of Jefferson School District School District (County of San Joaquin, California) General Obligation Bonds, 2010 Election, 2013 Series B (the "Series B Bonds"). The Series B Bonds are being issued pursuant to a Resolution adopted by the Board of Education of the District on October 9, 2012 (the "Bond Resolution"). The District covenants and agrees as follows:

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

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

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

"*Dissemination Agent*" shall mean, initially, the District or Dolinka Group, LLC or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

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

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Participating Underwriter*" shall mean any of the original underwriters of the Series B Bonds required to comply with the Rule in connection with offering of the Series B Bonds.

"*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.

Section 3. Provision of Annual Reports.

(a) The District shall, or, if the District has designated an entity to serve as Dissemination Agent, shall cause the Dissemination Agent to provide, not later than nine months after the end of the District's fiscal year, commencing no later than March 31, 2014 with the report for the 2012-13 Fiscal Year, provide to the MSRB and otherwise in accordance with then-applicable procedures prescribed under the Rule, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Paying Agent and the Participating Underwriter. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder. A Dissemination Agent designated by the District may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

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

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

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District, with a copy to the Paying Agent and the Participating Underwriter, certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the

Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement: :

(i) the average daily attendance in District schools on an aggregate basis for the preceding fiscal year;

(ii) pension plan contributions made by the District for the preceding fiscal year;

(iii) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowings of the District as of the end of the preceding fiscal year;

(iv) description of amount of general fund revenues and expenditures which have been budgeted for the current fiscal year, together with audited actual budget figures for the preceding fiscal year;

(v) the District's total revenue limit for the preceding fiscal year;

(vi) prior fiscal year total secured property tax levy and collections, showing current collections as a percent of the total levy;

(vii) current fiscal year assessed valuation of taxable properties in the District; and

(viii) the top twenty taxpayers in the District.

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

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the Issuer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) The items of subsection 4(b) shall be supplemented, if applicable, by event notices which have been filed pursuant to Section 5.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

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

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

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

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

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District or other obligated person.

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

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

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds per other requirements related to the Series B Bonds.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Series B Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the District determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

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

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

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision 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 Series B Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Series B Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Series B Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Series B Bonds.

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

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

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

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Series B Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series B Bonds.

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

Date: __________, 2013

JEFFERSON SCHOOL DISTRICT

By: ______________________________
Superintendent

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	Jefferson School District
Name of Bond Issue:	$__________ aggregate principal amount of Jefferson School District (County of San Joaquin, California) General Obligation Bonds, 2010 Election, 2013 Series B
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 District's Bond Resolution authorizing the issuance of the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_____________

JEFFERSON SCHOOL DISTRICT

By___________________________________
Superintendent

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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