PRELIMINARY OFFICIAL STATEMENT DATED MARCH 19, 2013

NEW ISSUE—FULL BOOK-ENTRY

RATING:
S&P: "A+"
See "RATING" herein.

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject to compliance by the District with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, the Bonds are a "qualified tax-exempt obligations" under section 265(b)(3) of the Internal Revenue Code of 1986. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

OAKLEY UNION
ELEMENTARY SCHOOL DISTRICT

$5,880,000*
OAKLEY UNION ELEMENTARY SCHOOL DISTRICT
(Contra Costa County, California)
2013 General Obligation Refunding Bonds
[BANK QUALIFIED]

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

The $5,880,000* Oakley Union Elementary School District (Contra Costa County, California), 2013 General Obligation Refunding Bonds (the "Bonds"), are being issued pursuant to the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code and a resolution of the Governing Board of the Oakley Union Elementary School District (the "District").

The Bonds are being issued to (a) refund, on a current basis, a portion of the Oakley Union Elementary School District (Contra Costa County, California), General Obligation Bonds, Election of 2004, Series A (the "2005 Bonds"), and (b) pay for costs of issuance of the Bonds. The 2005 Bonds were issued to finance educational facilities.

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

The Bonds are issuable in denominations of $5,000 and any integral multiple thereof. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2013. See "THE BONDS" herein. The Bonds will be delivered in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent"), to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

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

MATURITY SCHEDULE*

CUSIP† Prefix: 673646

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix	Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix
2013	$ 70,000				2024	$490,000			
2018	290,000				2025	535,000			
2019	315,000				2026	575,000			
2020	345,000				2027	625,000			
2021	380,000				2028	670,000			
2022	410,000				2029	725,000			
2023	450,000								

Bids for the purchase of the Bonds will be received by the District on Wednesday, March 27, 2013, *electronically only*, through the I-Deal LLC BiDCOMP/PARITY© system, until 9:30 A.M., Pacific Daylight time. The Bonds will be sold pursuant to the terms of sale set forth in the Official Notice of Sale, dated March 19, 2013.

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

KNN
public finance

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

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Quint & Thimmig LLP, San Francisco, California. Certain legal matters also will be passed upon for the District by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. It is anticipated that the Bonds in definitive form will be delivered through the facilities of DTC on or about May 3, 2013.

Dated: March __, 2013

*Preliminary, subject to change.
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OAKLEY UNION ELEMENTARY SCHOOL DISTRICT
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http://www.ouesd.k12.ca.us/

PROFESSIONAL SERVICES

BOND COUNSEL AND DISCLOSURE COUNSEL
Quint & Thimmig LLP
San Francisco, California

FINANCIAL ADVISOR
KNN Public Finance,
a Division of Zions First National Bank
Oakland, California

PAYING AGENT, TRANSFER AGENT and
AUTHENTICATION AGENT
The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), this Preliminary Official Statement constitutes an "official statement" of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

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

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

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

Document Summaries. All summaries of the 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 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

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

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

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

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$5,880,000*
OAKLEY UNION ELEMENTARY SCHOOL DISTRICT
(Contra Costa County, California)
2013 General Obligation Refunding Bonds

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of Oakley Union Elementary School District (Contra Costa County, California) 2013 General Obligation Refunding Bonds, in the principal amount of $5,880,000* (the "Bonds").

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

The District

The Oakley Union Elementary School District (the "District") provides educational services to the residents of the City of Oakley (the "City") and certain unincorporated county lands in Contra Costa County, California (the "County"). Enrollment in the District for the 2011-12 school year was approximately 4,656. The District is governed by a five-member Board of Trustees (the "District Board") which is elected in alternating four-year terms. The chief executive officer of the District is the Superintendent, who is appointed by the District Board.

More detailed information regarding the area served by the District and the student population of the District may be found under "THE DISTRICT," "DISTRICT FINANCIAL INFORMATION," "TAX BASE FOR REPAYMENT OF BONDS."

The District's average daily attendance for fiscal years 2010-11 and 2011-12 was 4,462 and 4,470, respectively, and its projected average daily attendance for fiscal year 2012-13 is 4,571. The District has a 2012-13 total assessed valuation of $2,360,184,495. See "THE DISTRICT."

Security for the Bonds

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

Authority for Issuance; Purpose of Issues

The Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of

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* Preliminary, subject to change.

the California Government Code. The Bonds are authorized to be issued pursuant to a resolution (the "Resolution"), adopted by the Board on February 20, 2013.

The Bonds are being issued to (a) refund, on a current basis, a portion of the Oakley Elementary School District (Contra Costa County, California), General Obligation Bonds, Election of 2004, Series A (the "2005 Bonds"), and (b) pay for costs of issuance of the Bonds. The 2005 Bonds were issued to finance educational facilities. See "SOURCES AND USES OF FUNDS—Bonds" and "PLAN OF FINANCING." The District received authorization to issue $16,500,000 of bonds at an election held on November 2, 2004, by an affirmative vote of 69.1% of the votes cast (the "Authorization"). A 55% vote in favor was required. The 2005 Bonds, issued on March 8, 2005, in the amount of $8,700,000 represented the first series issued under the Authorization. On May 31, 2006, the District issued the second and final series of bonds under the Authorization in the amount of $7,800,000. See "THE DISTRICT FINANCIAL INFORMATION—District Debt—General Obligation Bonds."

Description of the Bonds

The Bonds will be dated as of their date of delivery, will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. Interest on the Bonds accrues from their date of delivery and is payable semiannually on each February 1 and August 1 (each an "Interest Payment Date"), commencing August 1, 2013.

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

The Bonds are subject to optional redemption prior to maturity. See "THE BONDS—Redemption."

Tax Exemption

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject to compliance by the District with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The Bonds are "qualified tax-exempt obligations" under section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

Offering and Delivery of the Bonds

The 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 Bonds will be available for delivery in New York, New York on or about May 3, 2013.

Continuing Disclosure

The District will covenant for the benefit of the Bondholders to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events, if material, in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of material events is summarized below under "CONTINUING DISCLOSURE." See APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE. The District has never failed to comply in all material respects with any previous continuing disclosure undertakings to provide annual reports or notices of material events.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available for inspection at the office of the Chief Business Official, Oakley Union Elementary School District, 91 Mercedes Lane, Oakley, CA 94561-4030, ((925) 625-0700. The District may impose a charge for copying, mailing and handling.

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

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

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code and the Resolution.

Security

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

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

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

Description of the Bonds

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

Interest with respect to the Bonds accrues from their date of delivery and is payable semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing August 1, 2013. Interest on the Bonds accrues on the basis of a 360-day year comprised of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to that Interest Payment Date, inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before July 15, 2013, in which event it will bear interest from their date of delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on the dates, in the years and amounts set forth on the cover page hereof. The principal of and interest on the Bonds will 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 also "Book Entry Only System" below.

See the maturity schedule on the cover page hereof and "DEBT SERVICE SCHEDULE—Bonds."

Paying Agent

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

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

Payment

Payment of interest on any Bond on any Interest Payment Date will be made to the person appearing on the registration books of the Paying Agent as the owner thereof as of the close of business on the 15th day of the month immediately preceding such Interest Payment Date (the "Record Date"), such interest to be paid by check mailed to such owner on the Interest Payment Date at his or her address as it appears on such registration books or at such other address as he or she may have filed with the Paying Agent for that purpose on or before the Record Date. The owner in an aggregate principal amount or maturity value of $1,000,000 or more may request in writing to the Paying Agent that such owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

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

Redemption

The Bonds maturing on or before August 1, 2023, are non-callable. The Bonds maturing on August 1, 2024, or any time thereafter, are callable for redemption prior to their stated maturity date at the option of the District, as a whole, or in part on or after August 1, 2023 (in such maturities as are designated by the District, or, if the District fails to designate such maturities, on a proportional basis), from any source lawfully available therefor, at a redemption price equal to the principal amount redeemed, plus accrued interest to date of redemption, without premium.

Transfer and Exchange of Bonds; Registration

Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Resolutions, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office 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 Bond or Bonds shall be surrendered for transfer, the District shall execute and the Paying Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

No transfers of Bonds shall be required to be made (a) fifteen days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond after such Bond has been selected for redemption.

Exchange of Bonds. Bonds may be exchanged at the Principal Office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The 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 Bonds shall be required to be made (a) fifteen days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond after such Bond has been selected for redemption.

Bond Register. The Paying Agent shall keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as herein before provided.

Book-Entry-Only System

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

Events of Default and Remedies

The following events ("events of default") shall be events of default under the Resolutions:

(a) if default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) if default shall be made by the District in the observance of any of the covenants, agreements or conditions on its part in the Resolutions or in the Bonds contained, and such default shall have continued for a period of thirty (30) days after written notice thereof to the District; or

(d) if the District shall file a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, seeking reorganization of the District under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

Any Bondowner shall have the right, for the equal benefit and protection of all Bondowners similarly situated:

(a) by mandamus, suit, action or proceeding, to compel the District and its members, officers, agents or employees to perform each and every term, provision and covenant contained in the Resolutions and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bondowners' rights; or

(c) upon the happening of any event of default, by suit, action or proceeding in any court of competent jurisdiction, to require the District and its members and employees to account as if it and they were the trustees of an express trust.

No remedy herein conferred upon the Owners of Bonds shall be exclusive of any other remedy and that each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or thereafter conferred on the Bondowners.

Defeasance

Discharge of Resolutions. Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:

> (i) by paying or causing to be paid the principal or redemption price of and interest on Bonds Outstanding, as and when the same become due and payable;
>
> (ii) by depositing, in trust, at or before maturity, money or securities in the necessary amount to pay or redeem Bonds Outstanding; or
>
> (iii) by delivering to the Paying Agent, for cancellation by it, Bonds Outstanding.

If the District shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (evidenced by a certificate of a District Representative, filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and the Resolutions), and notwithstanding that any Bonds shall not have been surrendered for payment, the Resolutions and other assets made under the Resolutions and all covenants, agreements and other obligations of the District under the Resolutions shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Resolutions. In such event, upon request of the District, the Paying Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it pursuant to the Resolutions which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds. Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, then all liability of the District in respect of such Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such Bond by the District, and the District shall remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment, provided further, however, that the provisions of the Resolutions shall apply in all events.

The District may at any time surrender to the Paying Agent for cancellation by it any Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities with Paying Agent. Whenever in the Resolutions it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established pursuant to the Resolutions and shall be:

> (i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or
>
> (ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or provision satisfactory to the Paying Agent shall have been made for the giving of such notice;

provided, in each case, that the Paying Agent shall have been irrevocably instructed (by the terms of the Resolutions or by request of the District) to apply such money to the payment of such principal or redemption price and interest with respect to such Bonds.

Payment of Bonds After Discharge of Resolutions. Notwithstanding any provisions of the Resolutions, any moneys held by the Paying Agent in trust for the payment of the principal or redemption price of, or interest on, any Bonds and remaining unclaimed after the payment is due (whether at maturity or upon call for redemption as provided in the Resolutions), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the District free from the trusts created by the Resolutions, and all liability of the Paying Agent with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the District as aforesaid, the Paying Agent may (at the cost of the District) first mail to the Owners of all Bonds which have not been paid at the addresses shown on the registration books maintained by the Paying Agent a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

PLAN OF FINANCING

The Bonds are being issued to (a) refund, on a current basis, a portion of the current interest 2005 Bonds maturing on and after August 1, 2020 (the "Refunded 2005 Bonds"), and (b) pay for costs of issuance of the Bonds.

Refunding of the Refunded 2005 Bonds. The 2005 Bonds were issued on March 8, 2005, in the principal amount of $8,700,000. The Refunded 2005 Bonds are equal to $6,455,000. A portion of the net proceeds of the Bonds will be used to refund, on a current basis, the Refunded 2005 Bonds. At closing, such net proceeds will be deposited with The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank") in an escrow fund (the "Escrow Fund"). The Escrow Bank will hold all amounts deposited in the Escrow Fund in cash, uninvested. Such amount will be applied, on August 1, 2013, to the redemption in full of the Refunded 2005 Bonds at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to such date.

The amounts held by the Escrow Bank in the Escrow Fund are pledged solely to the payment of the Refunded 2005 Bonds. The funds deposited in the Escrow Fund will not be available for the payment of debt service with respect to the Bonds.

Payment of Costs of Issuance. A portion of the proceeds of the Bonds will be retained by the Paying Agent in a costs of issuance account and used to pay costs associated with the issuance of the Bonds. Any proceeds of sale of the Bonds not needed to redeem the Refunded 2005 Bonds or to pay costs of issuance of the Bonds will be transferred to the County Treasurer-Tax Collector for deposit in the Debt Service Fund and applied to pay debt service on the Bonds. Amounts held by the County Treasurer-Tax Collector will be invested on behalf of the District pursuant to law and the investment policy of the County. See "CONTRA COSTA COUNTY INVESTMENT POOL."

SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Principal Amount of Bonds	
Plus: Original Issue Premium	
Total Sources of Funds	
Uses of Funds:	
Deposit to Escrow Fund	
Deposit to Costs of Issuance Fund [1]	
Total Uses of Funds	

[1] Includes Underwriter's discount, Bond Counsel fees, Disclosure Counsel fees, Financial Advisor's fees, printing costs, rating agency fees and other miscellaneous expenses.

DEBT SERVICE SCHEDULE

The following table shows the semi-annual debt service schedule with respect to the Bonds.

Interest Payment Date	Principal Amount*	Interest Amount	Semi-Annual Debt Service	Total Annual Debt Service
8/1/2013	$ 70,000			
2/1/2014	—			
8/1/2014	—			
2/1/2015	—			
8/1/2015	—			
2/1/2016	—			
8/1/2016	—			
2/1/2017	—			
8/1/2017	—			
2/1/2018	—			
8/1/2018	290,000			
2/1/2019	—			
8/1/2019	315,000			
2/1/2020	—			
8/1/2020	345,000			
2/1/2021	—			
8/1/2021	380,000			
2/1/2022	—			
8/1/2022	410,000			
2/1/2023	—			
8/1/2023	450,000			
2/1/2024	—			
8/1/2024	490,000			
2/1/2025	—			
8/1/2025	535,000			
2/1/2026	—			
8/1/2026	575,000			
2/1/2027	—			
8/1/2027	625,000			
2/1/2028	—			
8/1/2028	670,000			
2/1/2029	—			
8/1/2029	725,000			
Totals	$5,880,000			

*Preliminary, subject to change.

COUNTY OF CONTRA COSTA POOLED INVESTMENT FUND

The following information has been provided by the County, and the District and Underwriter take no responsibility for the accuracy or completeness thereof. Further information may be obtained from the County Treasurer.

Substantially all operating funds of the District are invested in the County Investment Pool. The County Treasurer accepts funds only from agencies located within the County for investment in the County Investment Pool. As of September 30, 2012, the cost value of the County Investment Pool was $1,647,642,318.96 and the fair value was $1,649,891.20, which was 100.14% of cost.

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

CONTRA COSTA COUNTY INVESTMENT POOL
PORTFOLIO COMPOSITION
(as of September 30, 2012)

Type of Investment	Par Value	Cost Value	Fair Value	Percent of Total (Cost Value)
U.S. Treasuries (STRIPS, Bills, Notes)	$ 37,102,000.00	$ 39,421,395.92	$ 39,188,659.56	2.39%
U.S. Agencies (Federal, State, Local)	241,213,000.00	245,494,049.15	246,534,639.41	14.90
Money Market Instruments	869,080,518.32	869,199,644.37	870,765,031.64	5.75
Local Agency Investment Fund	302,089,830.45	302,089,830.45	302,089,830.45	18.33
Other	149,378,873.51	149,958,936.33	149,835,239.40	9.10
Cash	41,478,462.74	41,478,462.74	41,478,462.74	27.44
TOTAL	$1,640,342,685.02	$1,647,642,318.96	1,649,891,863.20	100.00

Note: All report information is unaudited.

The Treasurer's investment portfolio is in compliance with Government Code Section 53600 *et. seq.* and is in compliance with the Treasurer's current investment policy. The Treasurer's investment portfolio has no securities lending, reverse repurchase agreements or derivatives. The County reports that it is current practice for the Treasurer to mark the portfolio to market on a monthly basis. Such evaluations are performed by the County. Over 80% of the portfolio or over $1.32 billion will mature in less than a year. The County is able to meet its cash flow needs for six months. However, the State deferral policies and budget deficit could have a significant impact on the County's cash flow during the next six months.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIIIA of the California Constitution

Article XIIIA of the California Constitution limits the amount of any *ad valorem* tax on real property, to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and 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." The full cash value may be increased at a rate not to exceed 2% 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.

Proposition 46

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

Proposition 39

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

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

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

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 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, with tax rates expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value (unless noted differently).

Article XIIIB of the California Constitution

Under Article XIIIB of the California State Constitution state and local government entities have an annual "appropriations limit" and are not permitted to spend certain moneys 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 appropriations of moneys 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% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

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

California Lottery

In the November 1984 general election, the voters of the State approved a Constitutional Amendment establishing a California State Lottery (the "State Lottery"), the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education. The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In 2011-12, the District received $693,154 in State Lottery aid and has budgeted $640,310 for such aid in 2012-13. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

Article XIIIC and XIIID of the California Constitution

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

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

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

Future Initiatives

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

TAX BASE FOR REPAYMENT OF BONDS

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

***Ad valorem* Property Taxation**

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

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

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 assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

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

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

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor of the County, 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. Prior to 1981-82, assessed valuations were reported at 25% of the full value of property. 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.

The table below shows the assessed valuation in the District for fiscal years 2008-09 to 2012-13.

Historic Assessed Valuations
Fiscal Years 2009-2013

Fiscal Year	Local Secured	Utility	Unsecured	Total
2008-09	$3,260,815,137	—	$64,392,021	$3,325,207,158
2009-10	$2,562,212,301	—	$67,397,567	$2,629,609,868
2010-11	$2,449,429,606	$62,100	$55,620,860	$2,505,112,566
2011-12	$2,313,024,319	$62,100	$58,176,443	$2,371,262,862
2012-13	$2,301,845,281	$62,100	$58,277,114	$2,360,184,495

Source: California Municipal Statistics, Inc.

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

Assessed Valuation and Parcels by Land Use
Fiscal Year 2012-13

	2012-13 Assessed Valuation [(1)]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$ 98,812,210	4.29%	272	2.04%
Commercial	86,538,844	3.76	256	1.92
Vacant Commercial	24,376,049	1.06	80	0.60
Industrial	8,091,649	0.35	5	0.04
Vacant Industrial	282,477	0.01	4	0.03
Recreational	13,775,024	0.60	5	0.04
Government/Social/Institutional	1,550,338	0.07	256	1.92
Miscellaneous	6,459,323	0.28	105	0.79
Subtotal Non-Residential	$239,885,914	10.42%	983	7.36%
Residential:				
Single Family Residence	$1,983,862,117	86.19%	10,549	78.94%
Condominium/Townhouse	15,969,512	0.69	175	1.31
Mobile Home	3,607,700	0.16	241	1.80
Mobile Home Park	14,728,431	0.64	15	0.11
2-4 Residential Units	5,455,500	0.24	27	0.20
5+ Residential Units/Apartments	1,320,318	0.06	5	0.04
Vacant Residential	37,015,789	1.61	1,369	10.24
Subtotal Residential	$2,061,959,367	89.58%	12,381	92.64%
Total	$2,301,845,281	100.00%	13,364	100.00%

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

Largest Taxpayers in District. The twenty taxpayers in the District with the greatest combined assessed valuation of taxable property on the 2012-13 tax roll, and the assessed valuations thereof, are shown below.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and ability or willingness to pay property taxes. In 2012-13, no single taxpayer owned more than 1.06% of the total taxable property in the District. Each taxpayer listed is a unique entity. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table.

Largest 2012-13 Local Secured Taxpayers

	Property Owner	Primary Land Use	2012-13 Assessed Valuation	% of Total (1)
1.	Delta Coves Venture LLC	Commercial Land	$24,471,713	1.06%
2.	Shea Homes LP	Residential Development	19,114,236	0.83
3.	Neroly Sports Club Investors	Athletic Club	11,638,862	0.51
4.	Delta Wetlands Properties	Rural/Agricultural	10,136,860	0.44
5.	Pulte Home Corp.	Residential Development	8,973,053	0.39
6.	Santiago Island Village	Mobile Home Park	8,833,716	0.38
7.	Mariner Estates	Townhome Development	8,380,000	0.36
8.	Lucky No Cal Investor LLC	Shopping Center	8,354,771	0.36
9.	Sosnowski & Associates Inc.	Rural/Agricultural	8,262,297	0.36
10.	HPH Properties LP	Mini-Warehouse	7,483,542	0.33
11.	New Urban Comm LLC	Vacant	6,400,000	0.28
12.	Riggs Enterprises Inc.	Commercial	6,285,002	0.27
13.	Simon-Oakley Town Center LLC	Shopping Center	5,584,800	0.24
14.	Meritage Homes of California	Residential Development	5,417,098	0.24
15.	WEC 98D-30 LLC	Shopping Center	4,955,000	0.22
16.	Dennis and Kathryn Hoover	Rural/Agricultural	4,833,452	0.21
17.	Ohara Properties LLC	Commercial Land	3,982,477	0.17
18.	Farah Wells Ventures LLC	Commercial	3,282,337	0.14
19.	Albert D. Seeno Construction Co.	Residential Development	3,254,700	0.14
20.	Bank of New York Mellon	Residential Properties	3,249,165	0.14
			$162,893,081	7.08%

Source: California Municipal Statistics, Inc.
(1) 2012-13 Local Secured Assessed Valuation: $2,301,845,281.

The table below summarizes the typical tax rates levied by the County for the District for TRA 19-020-2012-13.

2012-13 Typical Total Tax Rate (TRA 19-020-2012-13 – 2012-13 Assessed Valuation: $770,990,310)

County-wide	1.0000
Bay Area Rapid Transit District	.0043
Contra Costa Community College	.0087
Liberty Union High School District	.0364
Oakley Union School District	.0823
East Bay Regional Park	.0051
Total All Property	1.1368
Contra Costa Water District	.0051
Total Land Only	.0051

Source: California Municipal Statistics, Inc.

Appeals and Adjustments of Assessed Valuations

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Article XIIIA of the California Constitution."

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date. No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

Tax Levies and Delinquencies

The recent history of real property tax collections and delinquencies in the District for the payment of debt service on general obligation bonds is shown in the following table.

Secured Tax Charges and Delinquencies
1% General Fund apportionment
(Reflects county-wide delinquency rate)

Fiscal Year	Secured Tax Charge	Amt. Del. June 30	% Del. June 30
2007-08	$50,705,429.15 (1)	$5,139,321.96	10.14%
2008-09	9,738,119.05	389,037.14	3.99
2009-10	7,805,222.69	208,919.25	2.68
2010-11	7,488,584.01	128,605.56	1.72
2011-12	7,198,799.28	195,582.24	2.72

Source: California Municipal Statistics, Inc.
(1) All taxes collected by the county within the school district.

Secured Tax Charges and Delinquencies
Bond Debt Service Levy

Fiscal Year	Secured Tax Charge	Amt. Del. June 30	% Del. June 30
2007-08	—	—	—
2008-09	$1,457,547.80	$121,139.56	8.31%
2009-10	1,643,069.93	80,467.59	4.90
2010-11	1,730,734.62	59,008.07	3.41
2011-12	1,711,007.07	50,165.51	2.93

Source: California Municipal Statistics, Inc.

Taxation of State-Assessed Utility Property

A portion of property tax revenue of each District is derived from utility property subject to assessment by the State Board of Equalization ("SBE"). State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a "going concern" rather than as individual pieces of real or personal property. The assessed value of unitary and certain other state-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, nonutility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation or litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District.

Alternative Method of Tax Apportionment

In June of 1993, the Board of Supervisors of the County approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis (irrespective of actual collections) to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan was effective for the fiscal year commencing July 1, 1993, and pursuant to the Teeter Plan the County purchased all delinquent receivables (comprised of delinquent taxes, penalties, and interest) which had accrued as of June 30, 1993, from local taxing entities and selected special assessment districts and community facilities districts. Under the Teeter Plan, the County distributes tax collections on a cash basis to taxing entities during the fiscal year and at year-end distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities and those special assessment districts and community facilities districts which the County determines are eligible to participate in the Teeter Plan.

The County reserves the right to exclude from the Teeter Plan any special tax levying agency or assessment levying agency if such agency has provided for accelerated foreclosure proceedings in the event of non-payment of such special taxes or assessments except that, if such agency has a delinquency rate in the collection of such special tax or assessment as of June 30 of any fiscal year that is equal to or less than the County's delinquency rate on the collection of current year *ad valorem* taxes on the countywide secured assessment roll, such agency's special taxes or assessments may, at the County's option, be included in the Teeter Plan.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors of the County may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secure tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. If the Teeter Plan is discontinued subsequent to its implementation, secured property taxes would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency as collected (see "Ad Valorem Property Taxation" above).

THE DISTRICT

General Information

The District, founded in 1936, is an elementary school district serving students from kindergarten to grade eight. The district boundaries include most of the City and some unincorporated lands in the County. The District serves a general population estimated at 33,000 in an area of approximately 33 square miles.

The District operates five elementary schools (K-6) and two intermediate schools (7-8), with a current enrollment of 4,730 students.

The District is governed by a Board of Trustees consisting of five members. Members are elected to four-year terms in staggered elections. The day-to-day operations are managed by a Board-appointed Superintendent of Schools. Richard Rogers, Ed.D. has served in this capacity since 2003.

The years in which the current terms for each member of the District Board expire are set forth below:

Board of Trustees

Name	Office	Term Expires (November)
Gloria Lott	President	2014
Mark Jordan	Clerk	2014
Karen Bergenholtz	Member	2016
Arthur Fernandez	Member	2014
Larry Polk	Member	2016

Average Daily Attendance

The following table reflects the District's historical A.D.A. for the last four years and projections for 2011-12 and 2012-13.

Average Daily Attendance

Academic Year	Average Daily Attendance at P-2	Enrollment
2007-08	4,418	4,637
2008-09	4,433	4,610
2009-10	4,452	4,662
2010-11	4,462	4,637
2011-12	4,470	4,656
2012-13 (1)	4,571	4,730

Source: Oakley Union Elementary School District
(1) Projected

District Employees

The District employs approximately 183.682 full-time equivalent certificated employees and 143.831 full-time equivalent classified employees and 74.70 management personnel. There are three formal bargaining organizations that are active in the District.

Labor Relations

Labor Organization	FTE Number of Employees In Organization	Contract Expiration Date
Oakley Union Teachers Association	183.682	June 30, 2014
California Schools Employees Association	77.836	June 30, 2014
Public Employees, Local One	65.996	June 30, 2015

Source: Oakley Union Elementary School District.

Retirement System

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

See NOTE 12—EMPLOYEE RETIREMENT SYSTEMS in APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012.

Post-Employment Health Care Plans and Other Post-Employment Benefits (OPEB)

The District's Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan . The Plan provides medical, dental and vision insurance benefits to eligible retirees.

See NOTE 10—POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION in APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012.

District Investments

Substantially all District operating funds are held by the County Treasurer-Tax Collector and invested pursuant to the County's investment policies. The County's cash management and investment program is generally coordinated on a "pooled" basis. See COUNTY OF CONTRA COSTA POOLED INVESTMENT FUND."

Risk Management

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 fiscal year ending June 30, 2012, the District participated in two joint powers authorities (JPAs) for the purposes of pooling for risk. There have been no significant decreases in coverage during the year.

See NOTE 11—RISK MANAGEMENT in APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012 for a detailed table showing coverage offered by each JPA to the District.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning 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 Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an *ad valorem* tax levied for the payment thereof by the County. See "THE BONDS—Security."

General

The District has historically employed conservative budgeting practices that have maintained strong and steady general fund balances. In addition, the District has maintained significant reserves in its special reserve fund, a large part of which is funded from one-time settlement monies received from the Federal government in fiscal year 2005-06 and is freely available to the general fund.

District Budget

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 8 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

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

For all dual budget options and for single and dual budget option districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to 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.

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 two fiscal years. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

In connection with its First Interim Report for 2012-13, the District was certified as "positive," because, based upon then current projections, the District will meet its financial obligations for the current fiscal year or two subsequent fiscal years.

General Fund Budget

The District's general fund actual results for the fiscal year ended June 30, 2012, and the proposed general fund budget for the fiscal year ending June 30, 2013, are set forth below:

GENERAL FUND BUDGET
Comparison of Actual General Fund Budget for the Fiscal Years Ended June 30, 2012 and the Projected General Fund Budget for the Fiscal Year Ending June 30, 2013

	Actuals 2011/12	Projected 2012/13 (b)
Revenues		
Revenue Limit Sources	$22,948,777	$23,320,444
State Aid	—	—
Property Taxes	—	—
Federal Revenue	2,427,112	2,071,646
Other State Revenue	4,132,820	4,207,065
Other Local Revenue	2,968,866	3,262,714
Total Revenues	$32,477,575	$32,861,869
Expenditures		
Certificated Salaries	$17,327,803	$17,549,548
Classified Salaries	4,639,598	4,729,656
Employee Benefits	5,659,731	5,569,980
Books and Supplies	796,618	1,312,363
Services, Other Operating Expenses	3,202,372	3,802,071
Capital Outlay	40,178	110,000
Other Outgo	—	-13,744
Total Expenditures	$31,666,300	$33,059,874
Other Financing Sources/(Uses)		
Interfund Transfers In / Other Sources	$800,000	—
Interfund Transfers Out / Other Uses	—	—
Total Other Financing Sources/(Uses)	$800,000	—
Excess of Revenues Over (Under) Expenditures	$1,611,275	$ -198,005
Beginning Fund Balance	$8,288,006	$9,899,281
Prior Year Adjustments		
Ending Fund Balance	$9,899,281	$9,701,276
% of Expenditures	31.26%	29.34%
Restricted Fund Balance	$1,422,386	$ 988,527
Unrestricted Fund Balance	$8,476,895	$8,712,749

(a) Audited Financial Statements.
(b) 2012-13 First Interim Report.

Audited Financial Statements

The California State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual.

GENERAL FUND
Revenues, Expenditures and Fund Balance
Fiscal Years 2008-09 through 2011-12

	Audited 2008-09	Audited 2009-10	Audited 2010-11	Audited 2011-12
Revenues				
Revenue Limit Sources	$24,326,354	$21,602,370	$22,687,668	$22,948,777
Federal Revenue	2,683,361	3,133,603	2,350,118	2,427,112
Other State Revenue	4,459,154	4,631,662	3,988,855	4,132,820
Other Local Revenue	3,309,257	3,338,967	3,037,355	2,968,866
Total Revenues	$34,778,126	$32,706,602	$32,063,996	$32,477,575
Expenditures				
Current:				
Instruction:	$22,692,671	$21,155,808	$20,795,874	$20,862,650
Instruction related services				
Supervision of Instruction	1,004,812	705,365	723,781	775,448
Instructional library, media, and technology	520,648	531,312	518,373	524,528
School site administration	2,307,826	2,143,269	2,275,781	2,361,900
Pupil Services:				
Home-to-school transportation	581,214	567,171	603,225	504,295
Food services	4,207	2,723	—	—
All other Pupil Services	1,818,702	1,508,710	1,612,576	1,630,611
General Administration:				
Data processing	158,592	168,831	219,854	239,826
All other general administration	1,704,958	1,541,317	1,661,377	1,646,083
Plant services	3,360,418	3,170,316	2,963,926	3,101,047
Other educational programs	—	—	—	—
Facility acquisition and construction	67,805	154,801	60,938	19,912
Transfers Between Agencies	(51,252)	—	—	—
Debt service				
Principal	—	—	—	—
Interest and Fees	—	—	—	—
Total Expenditures	$34,170,601	$31,649,623	$31,435,705	$31,666,300
Other Financing Sources (Uses):				
Transfers In/Sources	$0	$164,599	—	$800,000
Transfers Out/Uses	12,971	—	—	—
Total Other Financing Sources (Uses)	($12,971)	$164,599	—	$800,000
Net change in Fund Balance	594,554	1,221,578	628,291	1,611,275
Fund Balances, July 1	5,843,583	6,438,137	7,659,715	8,288,006
Prior Period Adjustment				
Fund Balances Beginning as Adjusted	$5,843,583	$6,438,137	$7,659,715	$8,288,006
Fund Balances, June 30	$6,438,137	$7,659,715	$8,288,006	$9,899,281

Source: Oakley Union Elementary School District audited financial statements.

Basic Financial Statements with Management's Discussion and Analysis and Independent Auditors Report and certain Supplementary Information for the year ended June

30, 2011, are included in APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012. The District considers its audited financial statements to be documents of public record. The District has not requested its auditors, Cichella & Tokunaga, LLP, to review this Official Statement, nor have they done so.

Revenue Sources

The District categorizes its general fund revenues into four sources: (1) revenue limit sources (consisting of a mix of State and local revenues), (2) federal revenues, (3) other State revenues and (4) other local revenues. 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 actual daily attendance for such district by (2) a base revenue limit per unit of average daily attendance ("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.

The revenue limit sources comprised approximately 70.66% of general fund revenues in fiscal year 2011-12 and are estimated to equal approximately 70.97% of such revenues in fiscal year 2012-13.

Federal Revenues. The federal government provides funding for District programs. The federal revenues, most of which are restricted, comprised approximately 7.5% of general fund revenues in fiscal year 2011-12 and are estimated to equal approximately 6.3% of such revenues in fiscal year 2012-13.

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

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Economic Impact Aid, Class Size Reduction Program, home-to-school transportation and instructional materials. Other State revenues comprised approximately 12.7% of general fund revenues in fiscal year 2011-12 and are estimated to equal approximately 12.8% of such revenues in fiscal year 2012-13.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings, leases and rentals, special education support and other local sources. Other local revenues comprised approximately 3.82% of general fund revenues in fiscal year 2011-12 and are estimated to equal approximately 3.87% of such revenues in fiscal year 2012-13.

Debt Structure

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

Long-Term Obligations.

General Obligation Bonds. The District has bonds outstanding under two voter approved bond authorizations.

On April 14, 1998, the voters of the District authorized the District to issue up to $10 million of general obligation bonds. The District issued these bonds in two series in August of 1998 (Election of 1998, Series A—$7,000,000) and in February of 1999 (Election of 1998, Series B—$3,000,000) (the "1998 Election Bonds"). In January of 2007, the District issued its $8,490,000 2007 General Obligation Refunding Bonds to refund the 1998 Election Bonds.

On November 4, 2004, the voters of the District authorized the District to issue up to $16.5 million of general obligation bonds. The District issued these bonds in two series in March of 2005 (Election of 2004, Series A—$8,700,000) and in May of 2006 (Election of 2004, Series B—$7,800,000) (the "2004 Election Bonds").

The following table shows the District's outstanding general obligation bonds.

General Obligation Bonded Debt

Issue Date	Series	Amount of Original Issue	Final Maturity	Amount Outstanding 1/1/2013
3/8/05	Election of 2004, Series A [(a)]	$ 8,700,000	8/1/2029	$ 7,775,000
5/31/06	Election of 2004, Series B[)]	7,800,000	8/1/2030	7,075,000
6/22/06	2007 GO Refunding Bonds [(b)]	8,490,000	8/1/2023	6,435,000
		$24,990,000		$21,285,000

(a) The Bonds of this issue will refund $6,455,000 of the 2005 Bonds.
(b) The 2007 GO Refunding Bonds refunded all of the 1998 Election Bonds.

Operating Leases: The District has entered into various operating leases for portables, building space and office equipment with lease terms in excess of one year.

Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and effective March 1, 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.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the District; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the District; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the District, as determined by multiplying the total outstanding debt of each agency by the percentage of the District's assessed valuation represented in the second column.

Statement of Direct and Overlapping Bonded Debt

2012-13 Assessed Valuation: $2,360,184,495.

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 3/1/13
Bay Area Rapid Transit District	0.470%	$ 1,930,243
Contra Costa Community College District	1.671	3,507,930
Liberty Union High School District	21.670	11,515,438
Oakley Union School District	**100.**	**21,255,000** (1)
City of Brentwood	0.001	45
East Bay Regional Park District	0.726	988,631
City of Oakley 1915 Act Bonds	100.	23,890,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$63,087,287
OVERLAPPING GENERAL FUND DEBT:		
Contra Costa County General Fund Obligations	1.664%	$ 5,011,934
Contra Costa County Pension Obligations	1.664	5,965,357
Contra Costa Community College District Certificates of Participation	1.671	14,287
City of Oakley Certificates of Participation	81.740	6,089,630
City of Brentwood General Fund Obligations	0.001	540
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$17,081,748
Less: Contra Costa County supported obligations		1,884,776
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$15,196,972
OVERLAPPING TAX INCREMENT DEBT:		$22,363,211
GROSS COMBINED TOTAL DEBT		$102,532,246 (2)
NET COMBINED TOTAL DEBT		$100,647,470

(1) Excludes general obligation bonds 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 ($21,255,000).. 0.90%
Total Direct and Overlapping Tax and Assessment Debt........... 2.67%
Gross Combined Total Debt 4.34%
Net Combined Total Debt 4.26%

Ratios to Redevelopment Incremental Valuation ($175,330,445):
Total Overlapping Tax Increment Debt 12.75%

Source: California Municipal Statistics, Inc.

STATE FUNDING OF PUBLIC EDUCATION

The information in this section concerning State funding of public education is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from State revenues. The Bonds are payable from the proceeds of an ad valorem tax, approved by the voters of the District pursuant to applicable laws and Constitutional requirements, and required to be levied by the County on all taxable property in the District in an amount sufficient for the timely payment of principal and interest on the Bonds.

Revenue for Public Education

Sources of Revenue. The State's K-12 education system is supported primarily from State revenues, mostly sales and income taxes. The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES & EXPENDITURES). As a result, changes in State revenues may affect appropriations made by the State to school districts. State revenue sources for school districts are supplemented with local property taxes, federal aid, local miscellaneous funds, and the State Lottery.

In recent years, approximately 58% of all funds for K-12 public education came from the State budget, which is required to be proposed by the Governor by January 10 and adopted by June 15 of each year (although the State often is late adopting the budget). Approximately 21% of funding for K-12 education comes from local property taxes. The State Constitution limits property taxes to one percent of the value of property; property taxes may only exceed this limit to repay voter approved debt.

Statewide, approximately 13% of school districts' revenues come from the federal government, and about 6% come from local miscellaneous sources. The latter category includes items such as food sales, money for debt repayment, interest on reserves and, in some cases, more significant sources such as developer fees and parcel taxes. Developer fees are fees that school districts can levy on new residential or commercial development within their boundaries to finance the construction or renovation of school facilities. Many school districts also seek grants or contributions, sometimes channeled through private foundations established to solicit donations from local families and businesses. School districts that still have unused school buildings or sites can lease or sell them for miscellaneous income as well. A significant number of school districts have secured the required two-thirds approval from local voters to levy special taxes on parcels or residences and/or have won voter approval, with either a two-thirds vote or a 55% majority, to sell general obligation bonds or to establish special taxing districts for the construction of schools. Use of such taxes is restricted by law.

The final revenue source for school districts is the State Lottery. Approved by voters in late 1984, the lottery generates about 1% of total school revenues. Every three months the Lottery Commission calculates 34% of lottery proceeds for all public education institutions, the minimum according to the lottery law. Every K-14 school district receives the same amount of lottery funds per pupil from the State, which may be spent for any instructional purpose, excluding capital projects.

No other source of general purpose revenue is currently permitted for schools. Proposition 13 eliminated the possibility of raising additional ad valorem property taxes for general school support, and the courts have declared that fees may not be charged for school-related activities other than for busing services.

The State Revenue Limit. The State Revenue Limit was first instituted in 1973-74 to provide a mechanism to calculate the amount of general purpose revenue a school district, community college district or county board of education is entitled to receive from State and local sources. Each school district has its own target amount of funding from State funds and local property taxes per average daily attendance. ADA is the average number of pupils attending school over the year. This target is known as revenue limit, and the funding from this calculation forms the bulk of all school districts' income. The State Legislature usually grants annual cost-of-living adjustments (COLAs) to revenue limits. The exact amount depends on whether the school district is an elementary, high school or a unified school district.

Apportionments for revenue limits are calculated three times a year for each school district, community college district and county board of education. The first calculation is performed for the February 20th First Principal Apportionment (based on Period 1 ADA determined in December), the second calculation for the June 25th Second Principal Apportionment (based on Period 2 ADA determined in April), and the final calculation for the end of the year Annual Apportionment (also based on Period 2 ADA). Calculations are reviewed by the county and submitted to the State Department of Education with respect to school districts and to the Chancellor of State Community Colleges with respect to community college districts, which, respectively, reviews the calculations for accuracy, calculates the amount of state aid owed to such school district or community college district, as the case may be, and notifies the State Controller of the amount, who then distributes the state aid.

School districts that receive their revenue limit income entirely from property taxes are called "basic aid" school districts. These school districts are permitted to keep their property tax money (even if it exceeds their revenue limit). As guaranteed in the State Constitution, the State must apportion $120 per pupil to all school districts. However, the categorical aid (see below) that basic aid school districts receive counts toward this requirement.

Distribution of Revenue for School Districts

General Purpose. The largest part of each school district's revenue funds general operating expenses associated with providing education, including salaries, benefits, supplies, textbooks and regular maintenance. As previously mentioned, the Revenue Limit governs the amount each school district receives. Each school district also receives some State and federal money for special programs, special costs, or categories of children with particular educational needs, called "categorical aid."

Categorical Aid. This special support goes into a school district's General Fund, but its expenditure is restricted to the purpose for which it is granted. About seventy-five percent (75%) of the total money generated for education is for general purposes, and about twenty-five percent (25%) is for categorical aid. The complex allocation system is adjusted somewhat by the State Legislature almost every year, with unpredictable effects on individual school districts. Additionally, in response to reductions in revenue limit funding for non-basic aid school districts, the State has, in recent years, reduced funding of categorical programs commensurately for basic aid school districts, known as "fair share reduction."

There are a number of major federal and State categorical aid programs. Some allocations come automatically to school districts, while others require an application. Some programs are based on the characteristics of the children or families in a particular school district, such as gifted and talented, non-English speaking, migrant, low income or handicapped students. Other programs are for specific activities or expenses, such as transportation, textbooks or childcare. Each year a large amount of aid is allocated directly to the STRS fund. For the past several years, supplemental grants have been directed to equalizing school districts' income from revenue limits plus specific categoricals. Most of the federal funds flow through the State Department of Education, which retains a certain percentage for administration.

In terms of dollars and the number of children served, the largest categorical aid program is Special Education under the Individual with Disabilities Act. According to court decisions and federal and State law, school districts are responsible for the appropriate education of each child with special needs from age 3 to 21 who lives within their boundaries. The allocations do not cover the cost of educating them. School districts are required to contribute a certain amount of general purpose funds for Special Education, and many spend much more. This is known as "encroachment."

School Facilities. Growing enrollments and/or aging facilities require school districts to build or make major renovations to school buildings. The income from developer fees on residential or commercial property is insufficient to fund all facilities costs. Voter approved general obligation bond moneys may only be used for purchase or improvement of real property, while Mello- Roos taxes can be used for this as well as for ongoing maintenance or purchase of needed equipment. A majority of voters has regularly approved state bond measures for the construction or reconstruction of schools.

State IOUs and Deferral

In recent years, fiscal stress and difficulties in achieving a balanced State budget have resulted in actions that 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 year 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 2012-13. Some of these statutory deferrals were made permanent, and others were implemented only for one fiscal year. For fiscal year 2012-13, enacted K-12 inter-year deferrals total $7.4 billion; however, should a proposed tax initiative to be considered by voters at a November 2012 election fail, inter-year deferrals would increase to $9.5 billion.

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. However, because the District is basic aid district and receives all of its revenue limit funding from local property taxes, the impact to the District from such deferrals are minimal.

The 2012-13 State Budget

The information in this section has been compiled from publicly available information through the State Department of Finance and the State Legislative Analyst's Office. Neither the District nor the

Underwriter assume any responsibility for the accuracy of such information as set forth or incorporated by reference herein, although they believe that the information provided by the above-listed sources is reliable.

Adopted Budget. On June 27, 2012, the Governor signed the fiscal year 2012-13 State budget (the "2012-13 Budget"). The 2012- 13 Budget closes a $15.7 billion budget gap and builds a reserve of nearly $1 billion with (i) $8.1 billion in expenditure reductions, (ii) $6 billion in increased revenues (which assumes the approval by the voters of the Governor's tax initiative, "The Schools and Local Public Safety Protection Act", at a November 2012 election) and (iii) $2.5 billion from certain loan and transfer measures.

The Schools and Local Public Safety Protection Act proposes to temporarily increase the personal income tax on the State's wealthiest taxpayers for seven years and increase the sales tax by 0.25% for four years. The measure would generate an estimated $8.5 billion in revenues through fiscal year 2012-13.

The 2012-13 Budget contains the following spending reduction measures:

- Reformation of existing K-14 education mandates claim process by providing a block grant as an alternative. For non-school mandates, provides a multiyear suspension of most mandates to provide greater flexibility to local governments. ($720 million savings)

- Creation of framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services. Assets transferred to schools will offset State general fund costs. ($1.5 billion savings)

- Other adjustments including using a fiscal year 2011-12 over-appropriation of the minimum guarantee to prepay Proposition 98 funding required by a court settlement. ($1.9 million savings)

State general fund revenues (including transfers) are budgeted to be approximately $95.9 billion in fiscal year 2012-13, an increase of 10.4% from a revised fiscal year 2011-12 State general fund revenues and transfers of $86.8 billion. State general fund expenditures are budgeted to be $91.4 billion in fiscal year 2012-13, an increase of 5.0% from a revised $87.0 billion figure for fiscal year 2011-12.

The following table identifies historical and budgeted State general fund revenues and expenditures.

State General Fund under the 2012-13 Budget

	2011-2 Revised (Millions)	2012-13 Budgeted (Millions)
Prior-year Fund Balance	$ (2,685)	$ (2,882)
Revenues and Transfers	86,830	95,887
Total Resources Available	84,145	93,005
Expenditures	87,027	91,338
Ending Fund Balances	(2,882)	1,667
Encumbrances	719	719
Reserve	(3,601)	948

Source: The California Department of Finance

K-12 Education. The 2012-13 Budget includes Proposition 98 funding of $53.6 billion, of which $36.8 billion is from the State general fund. This funding level assumes passage of The Schools and Local Public Safety Protection Act , which increases Proposition 98 funding by $2.9 billion in fiscal year 2012-13.

Other significant K-12 funding adjustments include:

• **Redevelopment Agency Asset Liquidation** – An increase of $1.3 billion in local property taxes for fiscal year 2012-13 to reflect the distribution of cash assets previously held by redevelopment agencies. The increase in local revenue reduces Proposition 98 State general fund contribution by an identical amount.

• **Proposition 98 Adjustments** – A decrease of approximately $630 million due to (i) eliminating the hold-harmless adjustment provided to schools from the elimination of the sales tax gasoline in 2010-11, and (ii) using a consistent current value methodology to rebench the guarantee for the exclusion of child care programs, the inclusion of special education mental health services, as well as new and existing property tax shifts. Additionally, the 2012-13 Budget reduces current year appropriations for a number of different programs by $220.1 million, backfilling them with one-time Proposition 98 general fund, which achieves State general fund savings by an identical amount.

• **Quality Education Investment Act** – A decrease of $450 million State general fund for fiscal year 2012-13. The overappropriation in fiscal year 2011-12 will be used to repay the $450 million required to be provided on top of the minimum guarantee in fiscal year 2012-13 pursuant to the California Teachers Association v. Schwarzenegger settlement agreement.

• **Deferrals** – An increase of $2.1 billion Proposition 98 State general fund to reduce K-12 inter-year deferrals to $7.4 billion.

• **Charter Schools** – An increase of $53.7 billion Proposition 98 State general fund for charter schools categorical programs to fund growth in enrollment. Additionally, legislation expands the ability of school districts to convey surplus property to charter schools, while also increasing financial assistance by allowing county treasurers to provide them with short-term cash loans, and by authorizing charter schools to utilize temporary revenue anticipation note borrowings.

• **Mandate Block Grant** – An increase of $86.2 million over the fiscal year 2011-12 funding level to provide a total of $166.6 million for K-12 mandates through a new voluntary block grant.

• **Child Care Costs** – Savings of $294.3 million in non-Proposition 98 State general fund through various cost-reduction measures, including reduction of provider contracts across the board and suspension of statutory COLA.

The 2013-14 State Budget

The information in this section has been compiled from publicly available information through the State Department of Finance and the State Legislative Analyst's Office. Neither the District nor the Underwriter assume any responsibility for the accuracy of such information as set forth or incorporated by reference herein, although they believe that the information provided by the above-listed sources is reliable.

Proposed 2013-14 State Budget. The Governor released his proposed fiscal year 2013-14 State budget (the "2013-14 Proposed State Budget") on January 10, 2013. The 2013-14 Proposed State Budget projects a balanced budget for fiscal year 2013-14 and proposes a multiyear plan that is balanced, maintains a $1 billion reserve and pays down budgetary debt from past years. In comparison, a $15.7 billion and $26.6 billion budget gap was encountered in fiscal years 2012-13 and 2011-12, respectively. The 2013-14 Proposed State Budget provides that the projected balanced budget is largely the result of the various spending cuts implemented over the previous two fiscal years, and the passage of the Temporary Tax Measure at the November 6, 2012 election. The 2013-14 Proposed State Budget acknowledges that the Temporary Tax Measure will only provide temporary revenues, with the sales tax increase expiring at the end of 2016 and the income tax increase expiring at the end of 2018. Accordingly, the 2013-14 Proposed State Budget notes the State must begin to plan now to ensure that the budget will remain balanced after such temporary tax increases expire. The 2013-14 Proposed State Budget also notes certain other risks that could return the State to fiscal deficits, including: fiscal challenges of the federal government, deviation from projected economic growth, rising health care costs and federal government and court interference with the State's efforts to reduce spending.

In addition to the revenues projected to be generated by the Temporary Tax Measure, additional revenues are also expected due to the passage of Proposition 39 (The California Clean Energy Jobs Act) at the November 6, 2012 election ("Proposition 39"), which establishes a single sales tax for out-of-state corporations. Such tax measures are expected to collectively generate $3.2 billion of State general fund revenue in fiscal year 2012-13 and $5.8 billion of State general fund revenue in fiscal year 2013-14, or 5.9% of total State general fund revenue ($98.5 billion). Of such total State general fund revenue, personal income taxes are expected to contribute $61.7 billion (62.7%), sales and use taxes are expected to contribute $23.3 billion (23.6%) and corporation taxes are expected to contribute $9.1 billion (9.3%).

Absent any changes, the 2013-14 Proposed State Budget projects that the fiscal year 2013-14 budget would be balanced but would lack an adequate reserve. To create a $1 billion reserve, the 2013-14 Proposed State Budget proposes several measures, such as the suspension of certain newly identified mandates, the use of fiscal year 2012-13 funds appropriated above the Proposition 98 minimum guarantee to prepay certain obligations to schools under the Quality Education Investment Act, as described below, and the extension of the hospital quality assurance fee and the gross premiums tax on Medi-Cal managed care plans. The 2013-14

Proposed State Budget dedicates $4.2 billion in fiscal year 2013-14 to pay down the State's budgetary debt (which budgetary debt amounted to $34.7 billion at the end of fiscal year 2010-11 and is currently estimated to be $27.8 billion at the end of fiscal year 2012-13) and estimates that such budgetary debt will be reduced to less than $5 billion by the end of fiscal year 2016-17.

As it relates to K-12 education, the 2013-14 Proposed State Budget provides Proposition 98 funding of $56.2 billion for fiscal year 2013-14, an increase of $2.7 billion from fiscal year 2012-13, which translates to Proposition 98 per-pupil expenditures of $8,304 in fiscal year 2013-14, as compared to $7,967 in fiscal year 2012-13. Total per-pupil expenditures from all sources are projected to be $11,455 in fiscal year 2012-13 and $11,742 in fiscal year 2013-14, including funds provided for prior year "settle-up" obligations. For fiscal year 2012-13, K-12 A.D.A. is estimated to be 5,982,430, an increase of 16,090 from fiscal year 2011-12. The 2013-14 Proposed State Budget estimates that K-12 A.D.A. will increase by an additional 5,967 in fiscal year 2013-14 to 5,988,397.

The 2013-14 Proposed State Budget proposes a new funding formula for school districts and county offices of education, the Local Control Funding Formula, to increase local control and flexibility, reduce State bureaucracy and to ensure that student needs drive the allocation of resources. The Local Control Funding Formula would replace the existing revenue limit funding system and most categorical programs, and would distribute combined resources to school districts through a base revenue limit funding grant ("Base Grant") per unit of A.D.A. with additional supplemental funding allocated to local educational agencies based on their proportion of English language learners and economically disadvantaged students. Every school district would be entitled to a Base Grant adjusted for grade span cost differentials, multiplied by A.D.A. The average Base Grant, when fully implemented, is expected to be equal to the current average undeficited school district revenue limit. School districts would be entitled to supplemental funding increases up to 35% of the Base Grant. When the proportion of English language learners and economically disadvantaged students exceeds 50% of its total student population, a school district would receive an additional concentration grant equal to 35% of the Base Grant for each English language learner and economically disadvantaged student above the 50% threshold. Under the new formula, "basic aid districts" would be defined as school districts whose local property taxes equal or exceed their district's formula allocation and would continue to retain local property taxes in excess of their new formula allocation.

Additionally, the 2013-14 Proposed State Budget proposes the following permanent changes to further increase local control and flexibility: (i) elimination of the minimum contribution requirement for routine maintenance, (ii) elimination of the required local district set-aside for deferred maintenance contributions, and (iii) ability to use proceeds from the sale of any real and personal surplus property for any one-time general fund purposes. The 2013-14 Proposed State Budget also proposes other program reforms including, but not limited to, reforms relating to charter schools, special education, adult education and technology-based instruction.

The complete 2013-14 Proposed 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 herein by such reference.

LAO Overview of 2013-14 Proposed State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2013-14 Proposed State Budget entitled "The 2013-14 Budget: Overview of the Governor's Budget" on January 14, 2013 (the "2013-14 Budget Overview"), in which the LAO acknowledges that the State has reached a point where, unlike in recent years, its underlying expenditures and revenues are roughly in balance. The LAO commends the 2013-14 Proposed State Budget emphasis on paying down the State's budgetary debt, especially in light of the risks and pressures that the State still faces (e.g., the uncertainty at the federal level over "fiscal cliff" issues related to the debt limit and sequestration). However, despite the commitment to paying down the State's budgetary debt under the Governor's multiyear plan, the 2013-14 Budget Overview notes that the State would still have no sizeable reserve at the end of fiscal year 2016-17 and further, the State would not have begun addressing significant unfunded liabilities associated with the teachers' retirement system and state retiree health benefits. With respect to the assumption in the 2013-14 Proposed State Budget regarding the continuation of moderate economic growth, the 2013-14 Budget Overview recognizes that a prolonged impasse at the federal level over "fiscal cliff" issues could affect consumer, business and investor confidence and negatively impact the ongoing economic recovery. In addition, the 2013-14 Budget Overview notes that there is uncertainty regarding the projected improvement in the State's housing market and construction industry, which is assumed in the 2013-14 Proposed State Budget, as such projections could be negatively affected by the tax increases under the Temporary Tax Measure.

With respect to the Proposition 98 budget plan in the 2013-14 Proposed State Budget, the 2013-14 Budget Overview commends the Governor's approach to dedicate $1.9 billion in fiscal year 2013-14 to paying down school and community college deferrals (while using the remainder for programmatic increases) which balanced approach would allow the State to eliminate all school and community college deferrals by fiscal year 2016-17. The LAO, though, notes that the 2013-14 Proposed State Budget does not address an outstanding mandate backlog of $1.9 billion. The 2013-14 Budget Overview also finds many strong components with the Governor's proposed changes to K-12 funding, finding that the new approach, if implemented, would replace a complicated, top-down system with one that is more transparent, better linked with student costs and locally driven. Nonetheless, the LAO believes that the proposed K-12 funding plan can be strengthened with some modifications, such as the inclusion (and not exclusion) of the Targeted Instructional Improvement Grant and Home-to-School Transportation programs in the new formula, and the implementation of procedures to ensure that supplemental funds are used by school districts to benefit disadvantaged children. The LAO also notes some concerns with respect to the Proposition 98 budget plan in the 2013-14 Proposed State Budget, including, but not limited to, concerns about the inclusion of Proposition 39 revenues (including those revenues required to be spent on energy efficiency projects) in the Proposition 98 calculation. The 2013-14 Budget Overview provides that such application of Proposition 39 revenues is a departure from how revenues should be treated for Proposition 98 and contrary to what voters were told regarding Proposition 39. The LAO, accordingly, recommends that the State Legislature exclude all Proposition 39 revenues required to be used on energy efficiency projects ($450 million) from the Proposition 98 calculation.

The 2013-14 Budget Overview is available on the LAO website at www.lao.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 herein by such reference.

Changes in State Budget. The final fiscal year 2013-14 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposal. Accordingly, the District cannot predict the impact that the final fiscal year 2013-14 State Budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2013-14 State budget will be affected by national and State economic conditions and other factors which the District cannot predict.

Future Budgets

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

For more information on the State Budget, please refer to the California Department of Finance's website at www.dof.ca.gov and to the Legislative Analyst's Office's website at www.lao.ca.gov.

GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

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." SB 82 required 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 provides for an exemption to the Cash Management Deferrals for a school district that would be unable to meet its expenditure obligations if its State apportionments are delayed. The District, however, did not apply for or receive exemption from any of the Cash Management Deferrals. In the event any of the Cash Management Deferrals are implemented, SB 82 requires that the State Controller, State Treasurer and State Treasurer 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 Treasurer-Tax Collector 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.

Litigation Challenging State Funding of Education

On May 20, 2010, more than 60 individual students and their respective families, nine California school districts, the California Congress of Parents Teachers & Students, the Association of California School Administrators, and the California School Boards Association filed a complaint for declaratory and injunctive relief, entitled *Maya Robles-Wong, et al. v. State of*

California, et al., (the "Robles Complaint") in the Alameda County Superior Court. The Robles Complaint alleges, among other things, that the State's current system of funding public education is not designed to support core education programs and that the State has failed to meet its constitutional duties to maintain and support a system of common schools. The Robles Complaint further alleges that the State's system for funding education is not rationally or demonstrably aligned with the goals and objectives of the State's prescribed educational program, and the costs of ensuring that children of all needs have the opportunity to become proficient in accordance with State academic standards. The Robles Complaint requests that the court enter a permanent injunction to, among other things, require the State to align its school finance system with its prescribed educational program, as well as to direct the defendants to cease operating the existing public school finance system or any other system of public finance that does not meet the requirements of the State Constitution.

On January 14, 2011, the Superior Court dismissed major portions of the Robles Complaint, allowing the plaintiffs to proceed only on the question of whether the State's public education funding scheme provides equal opportunities to students throughout the State but rejecting that part that claimed that the State constitution mandates an overall qualitative standard for public education. On July 26, 2011, the Superior Court rejected the plaintiffs' amended complaint as not stating an equal protection claim but allowed them to amend their complaint, if filed by August 25. On August 22, 2011, the Superior Court granted the plaintiffs' request for an extension of time to file their amended complaint until September 26, 2011. No amended complaint was filed.

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

The District is not a party to the Robles Complaint or the CSBA Petition. The District cannot predict whether any of the plaintiffs listed in the Robles Complaint or the CSBA Petition will be successful, what the potential remedies would be or the State's response to any such remedies. The District makes no representation with regards to how any final court decision with respect to the Robles Complaint or the CSBA Petition would affect the financial status of the District or the State.

Significant Accounting Policies and Audited Financial Statements

The California State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial Cichella & Tokunaga, LLP, El Dorado Hills, California, serve as independent auditors to the District and excerpts of their report for the fiscal year ended June 30, 2011, are attached hereto as APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012. The District's auditors have not specifically approved the inclusion of such excerpts herewith.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. For the District's most recent available audited financial statements, see APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012.

Proposition 26

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

Proposition 98

General. In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual grade kindergarten to 14 ("K-14") funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, revised certain funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding "test" to calculate the annual funding guarantee. This third calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual cost of living adjustment ("COLA") for the minimum guarantee would be the change in California's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIII B).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40 percent. Because of the major shifts of property tax from local government to community colleges and K-12 which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Under implementing legislation (AB 198 and SB 98 of 1989), each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State of California) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is 1989-90. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for enrollment growth ("ADA") and per-capita personal income COLA.

A third formula, established pursuant to Proposition 111 as "Test 3," provides an alternative calculation of the funding base in years in which State per-capita general fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of one percent of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990 (SB 88, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

Future Initiatives

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

Supplemental Information Concerning Litigation Against the State of California

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

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

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

Propositions 1A and 22

Proposition 1A (SCA 4) provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate from 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning June 1, 2009, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Under Proposition 1A, the State no longer has the authority to permanently shift city, county, and special district property tax revenues to schools, or take certain other actions that affect local governments. In addition, Proposition 1A restricts the State's ability to borrow state gasoline sales tax revenues. These provisions in the Constitution, however, do not eliminate the State's authority to temporarily borrow or redirect some city, county, and special district funds or the State's authority to redirect local redevelopment agency revenues. However, Proposition

22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, reduces or eliminates the State's authority: (1) to use State fuel tax revenues to pay debt service on state transportation bonds; (2) to borrow or change the distribution of state fuel tax revenues; (3) to direct redevelopment agency property taxes to any other local government; (4) to temporarily shift property taxes from cities, counties, and special districts to schools; (5) and to use vehicle license fee revenues to reimburse local governments for state mandated costs. As a result, Proposition 22 impacts resources in the State's General Fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to the LAO analysis of Proposition 22 submitted by the LAO on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 would be approximately $1 billion in fiscal year 2010–11, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's total General Fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's General Fund costs by approximately $1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California will be dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling $1.7 billion statewide. The District can make no representations regarding what affect the implementation of ABx1 26 will have on the District's future receipt of tax increment revenues.

State Funding of School Construction

The State makes funding for school facility construction and modernization available to K-12 districts throughout the State through the Office of Public School Construction ("OPSC") and the State Allocation Board ("SAB"), from proceeds of State general obligation bonds authorized and issued for this purpose. Such bonds were authorized in the amount of $13.05 billion, $11.40 billion of which were for K-12 school facilities and $1.65 billion of which were for higher education facilities, on November 5, 2002 under Proposition 47, passed by 58.9% of the State-wide vote. An additional bond measure for education capital projects was approved on March 2, 2005 under Proposition 55, passed by 50.6% of the State-wide vote, in an authorization amount of $12.3 billion, $10.0 billion of which is for K-12 school facilities and $2.3 billion of which is for higher education facilities. A State general obligation bond measure that includes $7.329 billion for construction, modernization and related purposes for K-12 school districts was approved by a majority of voters in the November 7, 2005 State-wide election.

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

State Retirement Programs

School districts participate in the State of California Teachers Retirement System ("CalSTRS"). CalSTRS covers all full-time and most part-time employees with teaching certificates. In order to receive CalSTRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools. School districts also participate in the State of California Public Employees Retirement System ("PERS"). PERS covers all classified personnel, generally those employees without teaching must be at least 50 years old and have had five years of covered PERS service as a public employee.

Contribution rates to PERS varies with changes in actuarial assumptions and other factors, such as changes in benefits and investment performance, and are set by a State retirement board for PERS. The contribution rates are set by statute for CalSTRS at a constant 8.25% of salary. CalSTRS has a substantial Statewide unfunded liability. Under current law, the liability is the responsibility of the State and not of individual school districts. See "DISTRICT INFORMATION" herein for information regarding the District's contributions to these retirement systems.

County Office of Education

In each county there is a county superintendent of schools (the "County Superintendent") and a county Board of Education. The Office of the County Superintendent, frequently known as the "County Office of Education" (the "County Office") in each county provides the staff and organization that carries out the activities and policies of the County Superintendent and county Board of Education for that county.

County Office provides instructional and support services to school districts within their counties, and various State mandated services county-wide, particularly in special education and juvenile court education services. County Office business services departments act as a control point for a variety of information, including pupil data collection, attendance accounting, teacher credential registration, payroll accounting, retirement and tax information and school district budgets, and also report such information to the State Department of Education. All school district budgets must be approved by their County Office and each district must provide its County Office with scheduled interim reports throughout the fiscal year. The County Office also act as enforcement entities which intervene in district fiscal matters should a district fail to meet State budget and reporting criteria.

The District is under the jurisdiction of, and is served by, the County Office.

Temporary Inter-fund Borrowing

The Education Code generally authorizes a school district to temporarily transfer cash from a specific purpose fund to any other district fund by district board action, including transfer of cash from proceeds of general obligation bonds; *provided that*, (a) the transferred cash is repaid to the original fund within the same fiscal year or (b), if transferred within the final 120 days of a fiscal year, then repaid to the original fund within the following fiscal year. However, depending on the circumstances of a particular such transfer, other State law, grant or contractual restrictions, or in the case of proceeds of tax-exempt obligations, federal tax law, may apply and may further restrict the use of such cash.

Accounting Practices

The accounting policies of California school districts conform to generally accepted accounting principles, as modified in accordance with policies and procedures of the California

School Accounting Manual. This manual, pursuant to Section 41010 of the Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred. See also "Notes to Financial Statements - Note 1" in Appendix A herein for further discussion of applicable accounting policies.

County Investment Pool

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

Each county treasurer is required to invest funds, including those pooled funds described above, in accordance with Government Code Sections 53601 *et seq.* and 53635 *et seq.* In addition, each county treasurer is required to establish an investment policy which may impose further limitations beyond those required by the Government Code. See "CONTRA COSTA COUNTY INVESTMENT POOL."

FINANCIAL ADVISOR

KNN Public Finance, a Division of Zions First National Bank, Oakland, California, has served as financial advisor (the "Financial Advisor") to the District in connection with the issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement. The fees of the Financial Advisor are contingent upon the sale and delivery of the Bonds. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

LEGAL OPINIONS

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

TAX MATTERS

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

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

In addition, subject to the District's compliance with certain covenants, in the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" under the small issuer exception provided under section 265(b)(3) of the Code, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under section 265(b)(2) of the Code.

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

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would generally include certain tax-exempt interest, but not interest on the Bonds.

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

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

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

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE

The District has covenanted to provide such annual financial statements and other information in the manner required by Rule 15c2-12 of the Securities and Exchange Commission (17 C.F.R. § 240.15c-2-12) (the "Rule"). These covenants have been made in order to assist the Underwriter in complying with the Rule. The District will execute a continuing disclosure certificate (the "Continuing Disclosure Certificate") for the benefit of the owners of the Bonds to provide certain financial information and operating data concerning the District to the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access system of certain events, pursuant to the requirements of section (b)(5)(i) of Rule 15c2-12. See APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE for a description of the Continuing Disclosure Certificate. A failure by the District to provide any information required thereunder will not constitute an Event of Default under the Resolution. The District has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

LEGALITY FOR INVESTMENT IN CALIFORNIA

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

ABSENCE OF MATERIAL LITIGATION

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

RATING

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

UNDERWRITING

The Bonds are being purchased by ____________ (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of $__________ (being equal to the aggregate principal amount of the Bonds of $_________), plus a net original issue premium of $__________, less the Underwriter's discount of $__________). The Underwriter has agreed to purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to the approval of certain legal matters by counsel and certain other conditions.

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

ADDITIONAL INFORMATION

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

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

OAKLEY UNION ELEMENTARY
SCHOOL DISTRICT

By ____________________________________
Superintendent

APPENDIX A

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

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OAKLEY UNION ELEMENTARY SCHOOL DISTRICT

Annual Financial Report
June 30, 2012

Cichella & Tokunaga, LLP
Certified Public Accountants

OAKLEY UNION ELEMENTARY SCHOOL DISTRICT

OF CONTRA COSTA COUNTY

OAKLEY, CALIFORNIA

JUNE 30, 2012

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Gloria Lott	President	2014
Mark Jordan	Clerk	2014
Karen Bergenholtz	Member	2012
Arthur Fernandez	Member	2012
Larry Polk	Member	2012

ADMINISTRATION

Richard Rogers	District Superintendent
Cindy Peterson	Chief Business Officer
Maryann Hussey	Assistant Superintendent, Student Services
Anne Allen	Assistant Superintendent, Educational Services

OAKLEY UNION 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
Oakley Union Elementary School District
Oakley, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oakley Union 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 12, 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.

Crowe + Tolleson, LLP

El Dorado Hills, California
December 12, 2012

OAKLEY UNION
ELEMENTARY SCHOOL DISTRICT
91 Mercedes Lane
Oakley, CA 94561
Phone: 925.625.0700
Fax: 925.625.1863

This section of Oakley Union Elementary School District's (the "District") 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.

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. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables. The District does not have any business-type activities.

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

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

The *Fiduciary Activities* are agency funds, which only report a balance sheet and do not have a 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 Oakley Union Elementary School District.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- General Fund revenues and other sources exceeded expenditures and other uses by $1,611,275 ending the year with available reserves of $6,467,387. An amount in excess of designations and the state recommended 3% reserve level.
- In complying with GASB 34, fixed assets are valued at historical cost. The total of the District's fixed assets, land, site, buildings, and equipment, valued on an acquisition cost basis was $118,386,590, a decrease over the prior year of $510,881, primarily due to an adjustment made to realign beginning balances from prior years.
- CBEDS enrollment in the District increased by 19 students as compared to the prior year. The Average Daily Attendance was also up by 8 ADA over the prior year.

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 - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education 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 general obligation bonds, 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 - Most of 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.

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 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 $82,684,826 for the fiscal year ended June 30, 2012. Of this amount, $4,604,762 was unrestricted. Restricted net assets were reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2012	2011
Assets		
Cash and investments	$ 13,794,244	$ 15,093,069
Receivables	8,933,445	6,501,546
Stores inventories	93,731	77,652
Capital assets, net	84,678,306	88,001,900
Total Assets	**107,499,726**	**109,674,167**
Liabilities		
Accounts payable and other current liabilities	2,203,103	1,704,048
Deferred revenue	47,129	481,819
Long-term liabilities	22,564,668	23,401,749
Total Liabilities	**24,814,900**	**25,587,616**
Net Assets		
Invested in capital assets, net of related debt	62,296,675	64,763,772
Restricted	15,783,389	15,097,515
Unrestricted	4,604,762	4,225,264
Total Net Assets	**$ 82,684,826**	**$ 84,086,551**

The $4,604,762 for 2012 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Assets

The District's net asset position decreased $1,401,725 this fiscal year. The District's expenses for instructional and pupil services represented 74.4 percent of total expenses. The purely administrative activities of the District accounted for just 5.0 percent of total costs. The remaining 20.6 percent was spent in the areas of plant services and interest on long-term obligations.

Table 2

	Governmental Activities	
	2012	2011
Revenues		
Program revenues	$ 7,191,573	$ 7,077,964
General revenues:		
Taxes levied for general purposes	7,867,779	8,381,395
Taxes levied for debt service	1,839,148	1,871,659
Taxes levied for other specific purpose	38,798	187,626
Federal and State aid not restricted	18,356,194	17,700,482
Miscellaneous	1,580,776	1,216,057
Total Revenues	**36,874,268**	**36,435,183**
Expenses		
Instruction	21,199,371	21,364,088
Instruction-related services	3,682,619	3,530,186
Pupil Services	3,606,801	3,619,197
General Administration	1,875,517	1,923,612
Plant Services	3,834,417	3,036,252
Other	4,077,268	4,108,531
Total Expenses	**38,275,993**	**37,581,866**
Change in Net Assets	**$ (1,401,725)**	**$ (1,146,683)**

Governmental Activities

As reported in the *Statement of Activities* on page 13, the cost of all of our governmental activities this year was $38,275,993. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $9,745,725 because the cost was paid by those who benefited from the programs ($753,610) or by other governments and organizations who subsidized certain programs with grants and contributions ($6,437,963). We paid for the remaining "public benefit" portion of our governmental activities with $18,356,194 in Federal and State aid and $1,580,776 with other revenues, like interest and general entitlements.

In Table 3, we have presented the net cost of each of the District's largest functions: instruction, instruction-related services, pupil services, general administration, plant services, interest on long-term obligations and other. 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

	Net Cost of Services	
	2012	2011
Instruction	$ 16,495,082	$ 16,888,819
Instruction-Related Services	3,495,855	3,230,870
Pupil Services	1,367,835	1,421,544
General Administration	1,844,212	1,859,592
Plant Services	3,832,168	3,022,546
Interest on Long-Term Obligations	1,264,555	1,218,020
Other	2,784,713	2,862,511
Total	**$ 31,084,420**	**$ 30,503,902**

THE DISTRICT'S FUNDS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide financial statements. The Districts individual fund statements provide information on the inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of $22,250,776, an increase of $1,439,968 from the previous fiscal year's combined ending balance of $20,810,808.

Table 4

	Balances and Activity			
	July 1, 2011	Revenues	Expenditures	June 30, 2012
General	$ 8,288,006	$ 33,277,575	$ 31,666,300	$ 9,899,281
Cafeteria Special Revenue	734,028	1,586,231	1,471,801	848,458
Child Development	-	278,604	278,604	-
Capital Facilities	6,792,248	672,499	920,989	6,543,758
County School Facilities	3,635,429	17,095	69,119	3,583,405
Bond Interest and Redemption	1,361,097	1,842,264	1,827,487	1,375,874
Total	**$ 20,810,808**	**$ 37,674,268**	**$ 36,234,300**	**$ 22,250,776**

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. Amendments were made to the budget on a monthly basis throughout the fiscal year. 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 50.

The budget amendments for the year typically fell into the following categories:

- Budget revisions to the adopted budget required after approval of the State budget.
- Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments and negotiated salary increases.
- Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The District ended the year with an increase of $1,611,275 to the general fund ending balance. The State recommends an ending reserve for economic uncertainties of 3 percent. The District meets this requirement.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had $84,678,306 in a broad range of capital assets (net of depreciation), including land, buildings, vehicles and equipment (Table 5).

Table 5

	Capital Assets	
	2012	2011
Land	$ 30,820,655	$ 30,820,655
Site Improvements	2,082,616	2,391,596
Buildings	48,252,362	51,289,832
Equipment	327,183	333,333
Work in Progress	3,195,490	3,166,484
Totals	**$ 84,678,306**	**$ 88,001,900**

Long-Term Obligations

At June 30, 2012, the District had $23,542,791 in long-term obligations outstanding.

Table 6

	Long-Term Obligations	
	2012	2011
General obligation bonds	$ 22,185,000	$ 23,035,000
Compensated absences	75,158	81,655
Net OPEB obligation	1,138,860	991,977
Capital leases	143,773	203,128
Totals	**$ 23,542,791**	**$ 24,311,760**

The District continues to maintain excellent credit ratings on all of its debt issues.

The long-term obligations paid by the District were approximately $1,164,094 in 2012.

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

- During these difficult economic times, the District has continued to implement new and creative programs for improved student learning. Although class sizes have grown, so have the API scores. The response to intervention strategies implemented across the District has been successful for students.
- We implemented a successful before and after school program called Extended Day Learning Center (EDLC). This program provides daycare, homework assistance and other learning opportunities for children. By the end of the year the program has tripled in size.
- We implemented an Opportunity program. This successful program has turned around at risk middle school students and prepared them to be successful in high school.
- Our successful Response to Intervention model at elementary schools have significantly reduced the number of primary students qualifying for special education and related services.
- Implemented Language Program at all 7 sites as a language arts intervention program for all of our far below basic students with 22 teachers serving both general and special education students.

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 Richard Rogers, District Superintendent, Oakley Union Elementary School District, 91 Mercedes Lane, Oakley, CA 94561, (925) 625-0700.

OAKLEY UNION ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS	
Deposits and investments	$ 13,794,244
Accounts receivable	8,933,445
Stores inventories	93,731
Capital assets	118,386,590
Accumulated depreciation	(33,708,284)
Total Assets	107,499,726
LIABILITIES	
Accounts payable	523,515
Interest payable	701,465
Deferred revenue	47,129
Current portion of long-term obligations	978,123
Noncurrent portion of long-term obligations	22,564,668
Total Liabilities	24,814,900
NET ASSETS	
Invested in capital assets, net of related debt	62,296,675
Restricted for:	
Debt service	1,375,874
Educational programs	2,222,386
Capital projects	10,127,163
Other activities	2,057,966
Unrestricted	4,604,762
Total Net Assets	$ 82,684,826

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

OAKLEY UNION 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	$ 21,199,371	$ 297,487	$ 4,389,707	$ 17,095	$ (16,495,082)
Instruction-related activities:					
Supervision of instruction	783,550	5,360	103,677	-	(674,513)
Instructional library, media, and technology	524,528	-	58,080	-	(466,448)
School site administration	2,374,541	-	19,647	-	(2,354,894)
Pupil services:					
Home-to-school transportation	504,295	2,874	47,069	-	(454,352)
Food services	1,471,815	386,675	1,107,073	-	21,933
All other pupil services	1,630,691	60,631	634,644	-	(935,416)
Administration:					
Data processing	239,826	-	-	-	(239,826)
All other administration	1,635,691	-	31,305	-	(1,604,386)
Plant services	3,834,417	583	1,666	-	(3,832,168)
Interest on long-term obligations	1,264,555	-	-	-	(1,264,555)
Depreciation (unallocated)	2,812,713	-	28,000	-	(2,784,713)
Total Governmental Activities	$ 38,275,993	$ 753,610	$ 6,420,868	$ 17,095	(31,084,420)
	General revenues and subventions:				
	Property taxes, levied for general purposes				7,867,779
	Property taxes, levied for debt services				1,839,148
	Taxes levied for other specific purposes				38,798
	Federal and State aid not restricted to specific purposes				18,356,194
	Miscellaneous				1,580,776
	Subtotal, General Revenues				29,682,695
	Change in Net Assets				(1,401,725)
	Net Assets - Beginning				84,086,551
	Net Assets - Ending				$ 82,684,826

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

OAKLEY UNION ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS – BALANCE SHEET
JUNE 30, 2012

	General Fund	Capital Facilities Fund	County School Facilities Fund
ASSETS			
Deposits and investments	$ 855,541	$ 7,361,184	$ 3,588,316
Receivables	8,757,082	-	-
Due from other funds	800,000	-	-
Stores inventories	-	-	-
Total Assets	10,412,623	7,361,184	3,588,316
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	466,213	17,426	4,911
Due to other funds	-	800,000	-
Deferred revenue	47,129	-	-
Total Liabilities	513,342	817,426	4,911
Fund Balances:			
Nonspendable	2,500	-	-
Restricted	1,419,886	-	3,583,405
Committed	800,000	-	-
Assigned	1,209,508	6,543,758	-
Unassigned	6,467,387	-	-
Total Fund Balance	9,899,281	6,543,758	3,583,405
Total Liabilities and Fund Balances	$ 10,412,623	$ 7,361,184	$ 3,588,316

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

Non-Major Governmental Funds	Total Governmental Funds
$ 1,989,203	$ 13,794,244
176,363	8,933,445
-	800,000
93,731	93,731
2,259,297	23,621,420
34,965	523,515
-	800,000
-	47,129
34,965	1,370,644
93,731	96,231
754,727	5,758,018
-	800,000
1,375,874	9,129,140
-	6,467,387
2,224,332	22,250,776
$ 2,259,297	$ 23,621,420

OAKLEY UNION ELEMENTARY SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		**$ 22,250,776**
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	$118,386,590	
Accumulated deprecation is	(33,708,284)	
Net Capital Assets		84,678,306
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(701,465)
Long-term obligations, including bonds payable, 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	22,185,000	
Capital leases payable	196,631	
Compensated absences (vacations)	22,300	
Net OPEB obligation	1,138,860	
Total Long-Term Obligations		(23,542,791)
Total Net Assets - Governmental Activities		$ 82,684,826

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

OAKLEY UNION ELEMENTARY SCHOOL DISTRICT

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

	General Fund	Capital Facilities Fund	County School Facilities Fund
REVENUES			
Revenue limit sources	$ 22,948,777	$ -	$ -
Federal sources	2,427,112	-	-
Other State sources	4,132,820	-	-
Other local sources	2,968,866	672,499	17,095
Total Revenues	32,477,575	672,499	17,095
EXPENDITURES			
Current			
Instruction	20,862,650	-	-
Instruction-related activities:			
Supervision of instruction	775,448	-	-
Instructional library, media and technology	524,528	-	-
School site administration	2,361,900	-	-
Pupil services:			
Food services	-	-	-
Pupil transportation	504,295	-	-
All other pupil services	1,630,611	-	-
Administration:			
Data processing	239,826	-	-
All other administration	1,646,083	-	-
Plant services	3,101,047	52,200	-
Facility acquisition and construction	19,912	68,789	69,119
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	31,666,300	120,989	69,119
Excess (Deficiency) of Revenues Over Expenditures	811,275	551,510	(52,024)
Other Financing Sources (Uses)			
Transfers in	800,000	-	-
Transfers out	-	(800,000)	-
Net Financing Sources (Uses)	800,000	(800,000)	-
NET CHANGE IN FUND BALANCES	1,611,275	(248,490)	(52,024)
Fund Balance - Beginning	8,288,006	6,792,248	3,635,429
Fund Balance - Ending	$ 9,899,281	$ 6,543,758	$ 3,583,405

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 22,948,777
1,099,612	3,526,724
404,639	4,537,459
2,202,848	5,861,308
3,707,099	36,874,268
227,690	21,090,340
8,102	783,550
-	524,528
12,641	2,374,541
1,471,815	1,471,815
-	504,295
80	1,630,691
-	239,826
-	1,646,083
2,077	3,155,324
-	157,820
878,000	878,000
977,487	977,487
3,577,892	35,434,300
129,207	1,439,968
-	800,000
-	(800,000)
-	-
129,207	1,439,968
2,095,125	20,810,808
$ 2,224,332	$ 22,250,776

OAKLEY UNION ELEMENTARY SCHOOL DISTRICT

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

Net Change in Fund Balances - Governmental Funds		**$ 1,439,968**
Amounts Reported for Governmental Activities in the Statement of Net Assets 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 expenses in the statement of activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	$ (2,812,713)	
Capital outlays	(510,881)	
Net Expense Adjustment		(3,323,594)
Unmatured interest on long-term obligations is recognized in governmental funds in the period when it is due. However, in the statement of activities, unmatured interes on long-term obligations is accrued at year end.		(701,465)
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.		59,355
Increases in the liability for other postemployment benefits (OPEB) are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. Decreases to the liability are reported as expenditures in governmental funds, however, the payments reduce the long-term liability in the statement of net assets.		(146,883)
In the statement of activities, certain operating expenses, such as 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).		6,497
Payment of principal and adjustments on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities.		850,000
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		414,397
Change in Net Assets of Governmental Activities		$ (1,401,725)

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

OAKLEY UNION ELEMENTARY SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Agency Funds
ASSETS	
Deposits and investments	$ 171,492
Total Assets	$ 171,492
LIABILITIES	
Due to student groups	$ 171,492
Total Liabilities	$ 171,492

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Oakley Union Elementary School District was organized in 1936 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 five elementary schools and two intermediate schools.

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 Oakley Union 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. The District has no component units.

Other Related Entities

Public Entity Risk Pools and Joint Powers Authorities The District is associated with two joint power agencies. 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: Contra Costa and Solano Counties School Districts Self-Insurance Authority (CCSCSDSIA) and Contra Costa County Schools Insurance Group (CCCSIG).

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 groups 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 accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purposes provided it is expended or transferred according to the general laws of California.

Capital Facilities Fund The Capital Facilities Fund is used primarily to account for funds received from fees levied on developers or others as a condition for approving development (Education Code Sections 17620-17626).

County School Facilities Fund The County School Facilities Fund is used primarily to account separately for State apportionments provided for construction and reconstruction of school facilities, and facility hardship grants (Education Code Section 17070).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to the expenditures for specific purposes. The District maintains the following special revenue funds:

> **Cafeteria Fund** The Cafeteria Fund is used to account for the financial transactions related to the food service operations of the District (Education Code Sections 38090-38093).
>
> **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues and the expenditures of those funds to operate child development programs.

Debt Service Funds The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term liabilities principal, interest and related costs.

> **Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The District accounts for its fiduciary activity through agency funds, a type of fiduciary fund.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. 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 account.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources management focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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 is 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 Inventory

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).

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

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.

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/infrastructure, 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 activities column of the statement of net assets.

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 financial statements. 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 recorded 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.

Deferred Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

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 in district premiums. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Interfund Activity

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

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. Interfund transfers are eliminated in the governmental column of the statement 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 1st 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 31st. The County of Contra Costa bills and collects the taxes on behalf of the District. Local property tax revenues are record 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	$	13,794,244
Fiduciary funds		171,492
Total Deposits and Investments	$	13,965,736

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

Cash on hand and in banks	$	171,492
Cash in revolving accounts		2,500
Investments		13,791,744
Total Deposits and Investments	$	13,965,736

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 – In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Contra Costa County Treasury. The County pools the funds with those of other districts and agencies in the County and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool. At June 30, 2012, the total cost of the District's cash investment in the County Pool was $13,546,762 and the fair value total of this cash was $13,560,309.

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

In accordance with applicable State laws, the Contra Costa County Treasury may invest in derivative securities. However, at June 30, 2012, the Contra Costa County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Local Agency Investment Fund (LAIF) – The Local Agency Investment Fund (LAIF) consists of amounts held in a special fund maintained by the California State Treasury through which local governments may pool investments. Each governmental agency may invest up to $40,000,000 in each account in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest or principal. The full faith and credit of the State of California secure investments in LAIF. At June 30, 2012, the total cost of the District's investment in LAIF was $244,765. The total fair value of the District's investment in LAIF was $245,087.

At June 30, 2012, the fair value of the State of California Pooled Money Investment Account (PMIA) including accrued interest was $62.2 billion. Of that amount, 6.22 percent was invested in structured notes and asset-backed securities, and the remaining 93.78 percent was invested in other non-derivative financial products. The PMIA has policies, goals and objectives for the portfolio to make certain that the goals of safety, liquidity, and yield are not jeopardized. These policies are formulated by investment staff and reviewed by both the PMIA and LAIF Advisory Board on an annual 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 placing substantially all of its deposits with the county treasury pool that purchases a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the county pool is not required to be rated, nor has it been rated as of June 30, 2012.

Concentration of Credit Risk

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

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local 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 accounts were $173,992 and the bank balances were $177,206. Of the bank balances, $177,206 was covered by the FDIC insurance and none was uninsured. Uninsured balances are fully collateralized by the banks in accordance with applicable laws.

Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. Investments in external investment pools, open-ended mutual funds, and securities under reserve repurchase agreements are excluded from this disclosure.

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	Non-Major Governmental Funds	Total
Federal Government			
Categorical aid	$ 467,044	$ 28,991	$ 496,035
State Government			
Apportionment	6,302,956	-	6,302,956
Categorical aid	451,748	-	451,748
Other State	717,311	-	717,311
Local Government			
Interest	-	10,368	10,368
Other Local Sources	818,023	137,004	955,027
Total	$ 8,757,082	$ 176,363	$ 8,933,445

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	$ 30,820,655	$ -	$ -	$ 30,820,655
Construction in Progress	3,166,484	29,006	-	3,195,490
Total Capital Assets Not Being Depreciated	33,987,139	29,006	-	34,016,145
Capital Assets Being Depreciated:				
Buildings	71,864,358	10,047	673,523	71,200,882
Equipment	1,613,821	53,562	-	1,667,383
Site Improvements	11,432,153	82,069	12,042	11,502,180
Total Capital Assets Being Depreciated	84,910,332	145,678	685,565	84,370,445
Total Capital Assets	118,897,471	174,684	685,565	118,386,590
Less Accumulated Depreciation:				
Buildings	(20,574,526)	(2,373,994)	-	(22,948,520)
Equipment	(1,280,488)	(59,712)	-	(1,340,200)
Site Improvements	(9,040,557)	(379,007)	-	(9,419,564)
Total Accumulated Depreciation	(30,895,571)	(2,812,713)	-	(33,708,284)
Governmental Activities Capital Assets, Net	$ 88,001,900	$ (2,638,029)	$ 685,565	$ 84,678,306

Depreciation expense of $2,812,713 was unallocated in the governmental activities.

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

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

	Due From	
Due To	General Fund	Total
Capital Facilities Fund	$ 800,000	$ 800,000

	Transferred From	
Transferred To	Capital Facilities Fund	Total
General Fund	$ 800,000	$ 800,000

The Capital Facilities fund transferred to the General Fund for one time cash loan at year end	$ 800,000

NOTE 6 – ACCOUNTS PAYABLE

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

	General Fund	Captial Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Other Payables	$ 425,319	$ 17,426	$ 4,911	$ 25,979	$ 473,635
Salaries and benefits	40,894	-	-	8,986	49,880
Total	$ 466,213	$ 17,426	$ 4,911	$ 34,965	$ 523,515

NOTE 7 – DEFERRED REVENUE

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

	General Fund
Unrestricted	$ 1,865
Federal financial assistance	45,264
Total	$ 47,129

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 and Adjustments	Deductions	Balance June 30, 2012	Due in One Year
General obligation bonds	$ 23,035,000	$ -	$ 850,000	$ 22,185,000	$ 930,000
Capitalized lease obligations	203,128	-	59,355	143,773	48,123
Compensated absences	81,655	-	6,497	75,158	-
Net OPEB obligation	991,977	395,125	248,242	1,138,860	-
	$ 24,311,760	$ 395,125	$ 1,164,094	$ 23,542,791	$ 978,123

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2011	Additions	Redeemed	Bonds Outstanding June 30, 2012
3/8/2005	8/1/2029	4.00-5.00%	8,700,000	$ 8,225,000	$ -	$ 225,000	$ 8,000,000
5/18/2006	8/1/2030	4.05-6.00%	7,800,000	7,465,000	-	180,000	7,285,000
1/24/2007	8/1/2023	3.85-4.00%	8,490,000	7,345,000	-	445,000	6,900,000
				$ 23,035,000	$ -	$ 850,000	$ 22,185,000

Debt Service Requirements to Maturity

On March 8, 2005, the District issued General Obligation Bond Series A in the aggregate principal amount of $8,700,000. The Bonds have a variable interest rate, 4.00-5.00 percent, and mature August 1, 2029. The proceeds are to be used to fund the construction of various elementary school facilities and the renovation and remodeling of several elementary schools.

The annual payments required to amortize the 2005 General Obligation Bond Series A outstanding as of June 30, 2012 are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2013	$ 255,000	$ 345,226	$ 600,226
2014	285,000	332,401	617,401
2015	210,000	320,383	530,383
2016	235,000	309,258	544,258
2017	265,000	296,758	561,758
2018-2022	1,790,000	1,268,566	3,058,566
2023-2027	2,730,000	804,295	3,534,295
2028-2030	2,230,000	153,575	2,383,575
Total	$ 8,000,000	$ 3,830,462	$ 11,830,462

On May 18, 2006, the District issued 2004 General Obligation Bond Series B in the amount of $7,800,000. The Bonds have a variable interest rate, 4.05-6.00 percent, and mature August 1, 2030. The proceeds are to be used to fund the construction of new elementary schools and modernize other schools.

The annual payments required to amortize the 2004 General Obligation Bond Series B outstanding as of June 30, 2012 are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2013	$ 210,000	$ 333,786	$ 543,786
2014	260,000	321,186	581,186
2015	385,000	305,586	690,586
2016	405,000	282,486	687,486
2017	430,000	258,186	688,186
2018-2022	2,040,000	992,814	3,032,814
2023-2027	1,800,000	585,239	2,385,239
2028-2031	1,755,000	209,863	1,964,863
Total	$ 7,285,000	$ 3,289,146	$ 10,574,146

On January 24, 2007, the District issued 2007 General Obligation Refunding Bonds in the amount of $8,490,000. The Bonds have a variable interest rate, 3.85-4.00 percent, and mature August 1, 2023. The proceeds were used to refund a portion of the 1998 General Obligation Series A and Series B Bonds.

The annual payments required to amortize the 2007 General Obligation Refunding Bonds outstanding as of June 30, 2012 are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2013	$ 465,000	$ 271,775	$ 736,775
2014	510,000	253,175	763,175
2015	555,000	232,775	787,775
2016	600,000	210,575	810,575
2017	650,000	186,575	836,575
2018-2022	2,765,000	601,997	3,366,997
2023-2024	1,355,000	81,173	1,436,173
Total	$ 6,900,000	$ 1,838,045	$ 8,738,045

Capital Leases

The District's liability on lease agreements with options to purchase is summarized below:

	Copiers and Portables
Balance, July 1, 2011	$ 218,616
Additions	-
Payments	(66,725)
Balance, June 30, 2012	$ 151,891

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payments
2013	$ 52,726
2014	52,726
2015	46,438
Total Payments	151,891
Less: Interest Portion of Payments	8,118
Present Value of Future Payments	$ 143,773

Other Postemployment Benefits (OPEB) Obligation

The District implemented GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2010. The District's annual required contribution for the year ended June 30, 2012 was $345,526 and the District made contributions of $248,242 during the year, which resulted in an OPEB obligation of $1,138,860. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefit plan.

NOTE 9 – FUND BALANCES

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

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Fund Balances					
Nonspendable:					
Revolving cash	$ 2,500	$ -	$ -	$ -	$ 2,500
Stores	-	-	-	93,731	93,731
Restricted for:					
Other fund activities	1,419,886	-	3,583,405	754,727	5,758,018
Committed to:					
Other commitments	800,000	-	-	-	800,000
Assigned to:					
Other Assigned	1,209,508	6,543,758	-	1,375,874	9,129,140
Unassigned:					
Reserve for Economic Uncertainty	949,989	-	-	-	949,989
Unassigned	5,517,398	-	-	-	5,517,398
Total Fund Balance	$ 9,899,281	$ 6,543,758	$ 3,583,405	$ 2,224,332	$ 22,250,776

NOTE 10 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Oakley Union Elementary School District. The Plan provides medical, dental and vision insurance benefits to eligible retirees. Membership of the Plan consists of 37 retirees and beneficiaries currently receiving benefits and 302 active plan members. The unfunded portion of annual required contributions (net OPEB obligation) is presented in the statement of net assets as a portion of long-term obligations.

	Certificated	**Local One**	**Management**
Benefit Types Provided	Medical only	Medical only	Medical only
Duration of Benefits	10 years with District: 5 years but not beyond age 65 20 years with District: 10 years but not beyond age 65	5 years but not beyond age 65	Lifetime
Required Service	20 years in STRS: 10 years with District	10 Years	10 Years
Minimum Age	55	57	57
Dependent Coverage	No	No	No
District Contribution %	100%	100%	10 yrs svc: 25% of cap 13 yrs svc: 50% of cap 17 yrs svc: 75% of cap 20 yrs svc: 100% of cap
District Cap	None	None	$400 per month

**$300 per month for those retiring prior to July 1, 2007*

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District, the District's bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through agreements between the District, the District's bargaining units and unrepresented groups. The District made contributions to the plan of $248,242 and $163,568 during fiscal years 2011-2012 and 2010-2011, respectively. The required contribution is based on projected pay-as-you-go financing requirements.

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 the normal cost each year and the amortization of any unfunded actuarial accrued liabilities (UAAL) (or funding excess) for a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the District's net OPEB obligation to the Plan.

Annual required contribution	$ 345,526
Interest on net OPEB obligation	49,599
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	395,125
Contributions made	(248,242)
Increase in net OPEB obligation	146,883
Net OPEB obligation, beginning of year	991,977
Net OPEB obligation, end of year	$1,138,860

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 Obligation
2011	$ 454,283	36%	$ 991,977
2012	$ 345,526	72%	$ 1,138,860

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 the occurrence of events far into the future. Examples include assumptions about future employment, mortality and the trend of healthcare costs. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continuous revisions as actual results are compared with past expectation and as new estimated are made concerning future events. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information regarding 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 current year information is presented in these financial statements.

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 along with the historical pattern of the 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 actuarial valuation report dated June 30, 2012 (September 1, 2011 valuation date), the "entry age normal" method was utilized. The actuarial assumptions include a 5 percent investment rate of return (net of administrative expenses). Additionally, actuarial assumptions include a 4 percent per year trend increase in healthcare costs. The UAAL is being amortized at a level percentage of payroll, assuming a 3 percent annual increase in payroll. The remaining amortization period at September 1, 2011 was 28 years. The actuarial value of assets was not determined in this actuarial valuation. Currently, the District's Plan is considered to be an unfunded plan since there are no assets and retiree benefits are paid annually on a cash basis.

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 fiscal year ending June 30, 2012, the District participated in two joint powers authorities (JPAs) for the purposes of pooling for risk. There have been no significant decreases in coverage during the year.

Joint Ventures

The District participates in two joint ventures under joint powers agreements (JPAs); the Contra Costa County Schools Insurance Group (CCCSIG) for workers' compensation and the Contra Costa and Solano Counties School Districts Self-Insurance Authority (CCSCSDSIA) for property and liability insurance. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage for its members. The JPAs are governed by a board consisting of a representative from each member district. Each board controls operations of their JPAs, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPAs. The JPAs are audited on an annual basis. Financial information can be obtained by contacting each JPAs management.

Coverage provided for property and liability and workers' compensation is as follows:

Insurance Program/Company Name	Type of Coverage	Limits	
Contra Costa County Schools Insurance Group	Worker's Compensation and Employer's Liability	State of California Statutory Limitations	
Member Retained Limit	Property	$	25,000
Northern California ReLiEF	Real and Personal Property		250,000
SAFER			249,750,000
Member Retained Limit	Comprehensive Liability	$	25,000
Northern California ReLiEF	General Liability		1,000,000
SAFER		5,000,000 or 60,000,000	
SAFER	Excess Liability Combined Comprehensive Bodily Injury and Property Damage	1,000,00 or 24,000,000	
The Fidelity and Deposit Company of Maryland	Comprehensive Crime	$	5,000,000
Hartford Steam Boiler	Equipment	$	100,000,000
Chubb	Electronic Data Processing Equipment	$	20,517,704

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 State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees Retirement System (PERS).

STRS

Plan Description

The District contributes to the California State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, with the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 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 STRS for the fiscal years ending June 30, 2012, 2011, and 2010, were $1,426,754, $1,421,214, and $1,435,895, respectively, and equal 100 percent of the required contributions for each year.

PERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, 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 method 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 $526,231, $507,651, and $443,976, respectively, and equal 100 percent of the required contributions for each year.

Social Security

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

On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of $439,440 (2.541 percent of salaries subject to STRS). No contributions were made for PERS 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 has received Federal and State funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grant, it is believed that any required reimbursements will not be material.

Litigation

The District is involved in various 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 POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District participates in two joint power agreements (JPAs) for the operation of common risk management and insurance programs. Contra Costa and Solano Counties School Districts Self-Insurance Authority (CCSCSDSIA) provides property and liability insurance and Contra Costa County School Insurance Group (CCCSIG) provides workers' compensation. The JPAs are governed by a Board of Directors consisting of representatives from member districts. The Board of Directors controls the operations of each JPA, including selections of management and approval of operating budgets. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

Joint Power Authority	Payments Made
Contra Costa and Solano Counties School District, Self Insurance Authority	$ 227,884
Contra Cost County School Insurance Group	415,860

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II - Required Supplementary Information

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OAKLEY UNION ELEMENTARY SCHOOL DISTRICT

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

	Budgeted Amounts (GAAP Basis)		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Revenue limit sources	$ 23,051,104	$ 22,823,625	$ 22,948,777	$ 125,152
Federal sources	2,605,772	2,789,814	2,427,112	(362,702)
Other State sources	3,814,359	4,031,577	4,132,820	101,243
Other local sources	2,918,441	3,231,955	2,968,866	(263,089)
Total Revenues	32,389,676	32,876,971	32,477,575	(399,396)
EXPENDITURES				
Current				
Certificated salaries	17,023,058	17,357,988	17,327,803	30,185
Classified salaries	4,509,801	4,678,920	4,639,598	39,322
Employee benefits	5,297,768	5,716,666	5,659,731	56,935
Books and supplies	1,171,302	1,147,459	796,618	350,841
Services and other operating expenditures	4,067,457	3,899,224	3,202,372	696,852
Other outgo	(10,463)	-	-	-
Capital outlay	32,000	58,997	40,178	18,819
Total Expenditures	32,090,923	32,859,254	31,666,300	1,192,954
Excess (Deficiency) of Revenues Over Expenditures	298,753	17,717	811,275	793,558
Other Financing Sources (Uses)				
Transfers in	-	800,000	800,000	-
Net Financing Sources (Uses)	-	800,000	800,000	-
NET CHANGE IN FUND BALANCES	298,753	817,717	1,611,275	793,558
Fund Balance - Beginning	8,288,006	8,288,006	8,288,006	-
Fund Balance - Ending	$ 8,586,759	$ 9,105,723	$ 9,899,281	$ 793,558

OAKLEY UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS AND EMPLOYER CONTRIBUTION
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)
May 1, 2009	$ -	$ 4,270,887	$ 4,270,887	0%	$ 17,500,000	24%
September 1, 2011	-	4,215,557	4,320,852	0%	$ 17,400,000	25%

III - Supplementary Information

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OAKLEY UNION 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 - Basic Grants, Low Income and Neglected	84.010	14329	$ 370,257
Title 1 Part A, Program Improvement LEA Corrective Action Resource	84.010	14955	79,211
ARRA Title 1, part A, Basic Grants Low Income and Neglected	84.389	15005	17,579
Subtotal Title I Grants to Local Educational Agencies Cluster			467,047
Title II - Improving Teacher Quality	84.367	14341	131,582
Title II - Enhancing Education Through Technology	84.318	14334	93,226
Education Jobs Fund	84.410	25152	496,900
Individuals with Disabilities Education Act (IDEA) Cluster			
IDEA: Basic Local Assistance Entitlement, Part B	84.027	13379	988,794
IDEA: Preschool Grants	84.173	13430	29,023
IDEA: Preschool Local Entitlement	84.027A	13682	72,922
Subtotal Individuals with Disabilities Education Act (IDEA) Cluster			1,090,739
Total U.S. Department of Education			2,279,494
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster			
National School Lunch	10.555	13391	838,330
School Breakfast Program	10.553	13526	168,957
Fair Market Value of Commodities	10.565	13391	92,325
Total U.S. Department of Agriculture			1,099,612
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Education (CDE):			
Medi-Cal Billing	93.778	10013	73,547
Total U.S. Department of Health and Human Services			73,547
Total Federal Expenditures			$3,452,653

See accompanying note to supplementary information.

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

ORGANIZATION

The Oakley Union Elementary School District (the "District") was established in1886 as the Iron House School District and in 1936 as the Oakley Union Elementary School District. The District is comprised of an area of approximately 53 square miles located in Contra Costa County. There were no changes in the boundaries of the District during the year. The District is comprised of five elementary and two intermediate schools.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Gloria Lott	President	2014
Mark Jordan	Clerk	2014
Karen Bergenholtz	Member	2012
Arthur Fernandez	Member	2012
Larry Polk	Member	2012

ADMINISTRATION

Richard Rogers	District Superintendent
Cindy Peterson	Chief Business Officer
Maryann Hussey	Assistant Superintendent, Student Services
Anne Allen	Assistant Superintendent, Educational Services

See accompanying note to supplementary information.

OAKLEY UNION ELEMENTARY SCHOOL DISTRICT

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

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	478	479
First through third	1,379	1,380
Fourth through sixth	1,448	1,449
Seventh and eighth	1,016	1,011
Special Education	147	152
Home and Hospital	2	3
Total Elementary	4,470	4,474

See accompanying note to supplementary information.

OAKLEY UNION ELEMENTARY SCHOOL DISTRICT

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

Grade Level	1982-83 Actual Minutes	1982-83 Adjusted & Reduced	1986-87 Minutes Requirement	1986-87 Adjusted & Reduced	2011-2012 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	40,480	39,356	36,000	35,000	45,300	175	N/A	Complied
Grade 1	42,000	40,833	50,400	49,000	50,844	175	N/A	Complied
Grade 2	42,000	40,833	50,400	49,000	50,844	175	N/A	Complied
Grade 3	42,000	40,833	50,400	49,000	50,844	175	N/A	Complied
Grade 4	52,850	51,382	54,000	52,500	55,010	175	N/A	Complied
Grade 5	52,850	51,382	54,000	52,500	55,010	175	N/A	Complied
Grade 6	52,850	51,382	54,000	52,500	60,012	175	N/A	Complied
Grade 7	52,850	51,382	54,000	52,500	60,505	175	N/A	Complied
Grade 8	52,850	51,382	54,000	52,500	60,505	175	N/A	Complied

See accompanying note to supplementary information.

OAKLEY UNION 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
CAPITAL ASSETS		
Total Capital Assets, June 30, 2012, Unaudited Actuals	$	88,001,900
Increase in:		
Work in Progress		29,006
Equipment		53,562
Site Improvements		70,027
Accumulated Depreciation - Buildings		(2,373,994)
Accumulated Depreciation - Equipment		(59,712)
Accumulated Depreciation - Site Improvements		(379,007)
Decrease in:		
Land		663,476
Total Capital Assets, June 30, 2012, Audited Financial Statements	$	84,678,306

		Form Debt
LONG TERM DEBT		
Total Long Term Debt, June 30, 2012, Unaudited Actuals	$	23,395,252
Increase in:		
Capital Leases Payable		656
Net OPEB Obligation		146,883
Total Long Term Debt, June 30, 2012, Audited Financial Statements	$	23,542,791

See accompanying note to supplementary information.

OAKLEY UNION 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	$ 32,296,793	$ 32,477,575	$ 32,063,996	$ 32,706,602
Other sources	-	800,000	-	164,599
Total Revenues and Other Sources	32,296,793	33,277,575	32,063,996	32,871,201
Expenditures	32,812,056	31,666,300	31,435,705	31,649,623
Other uses and transfers out	-	-	-	-
Total Expenditures and Other Uses	32,812,056	31,666,300	31,435,705	31,649,623
INCREASE (DECREASE) IN FUND BALANCE	$ (515,263)	$ 1,611,275	$ 628,291	$ 1,221,578
ENDING FUND BALANCE	$ 9,384,018	$ 9,899,281	$ 8,288,006	$ 7,659,715
AVAILABLE RESERVES [2]	$ 6,057,442	$ 6,467,387	$ 5,713,293	$ 3,991,420
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	18.46%	20.42%	18.17%	12.61%
LONG-TERM OBLIGATIONS	$ 22,564,668	$ 23,542,791	$ 24,311,760	$ 24,771,835
K-12 AVERAGE DAILY ATTENDANCE AT P-2	4,478	4,470	4,462	4,452

The General Fund balance has increased by $2,239,566 over the past two years. The fiscal year 2012-2013 budget projects a budget decrease of $515,263. 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).

Total long-term obligations have decreased by $1,229,044 over the past two years.

Average daily attendance has increased by 18 over the past two years. Additional growth of 8 ADA is anticipated during fiscal year 2012-2013.

[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.

OAKLEY UNION 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.

OAKLEY UNION ELEMENTARY SCHOOL DISTRICT

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

	Cafeteria Fund	Child Development Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
ASSETS				
Deposits and investments	$ 613,209	$ 120	$ 1,375,874	$ 1,989,203
Receivables	176,363	-	-	176,363
Stores inventories	93,731	-	-	93,731
Total Assets	883,303	120	1,375,874	2,259,297
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	34,845	120	-	34,965
Total Liabilities	34,845	120	-	34,965
Fund Balances:				
Nonspendable	93,731	-	-	93,731
Restricted	754,727	-	-	754,727
Assigned	-	-	1,375,874	1,375,874
Total Fund Balance	848,458	-	1,375,874	2,224,332
Total Liabilities and Fund Balances	$ 883,303	$ 120	$ 1,375,874	$ 2,259,297

See accompanying note to supplementary information.

OAKLEY UNION 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	Child Development Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
REVENUES				
Federal sources	$ 1,099,612	$ -	$ -	$ 1,099,612
Other State sources	93,499	278,577	32,563	404,639
Other local sources	393,120	27	1,809,701	2,202,848
Total Revenues	1,586,231	278,604	1,842,264	3,707,099
EXPENDITURES				
Current				
Instruction	-	227,690	-	227,690
Instruction related services				
Supervision of Instruction	-	8,102	-	8,102
School site administration	-	12,641	-	12,641
Pupil services:				
Food services	1,469,724	2,091	-	1,471,815
All other pupil services	-	80	-	80
Plant services	2,077	-	-	2,077
Debt service				
Principal	-	28,000	850,000	878,000
Interest and other	-	-	977,487	977,487
Total Expenditures	1,471,801	278,604	1,827,487	3,577,892
Excess (Deficiency) of Revenues Over Expenditures	114,430	-	14,777	129,207
NET CHANGE IN FUND BALANCES	114,430	-	14,777	129,207
Fund Balance - Beginning	734,028	-	1,361,097	2,095,125
Fund Balance - Ending	$ 848,458	$ -	$ 1,375,874	$ 2,224,332

See accompanying note to supplementary information.

OAKLEY UNION ELEMENTARY SCHOOL DISTRICT

ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
JUNE 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Gehringer Elementary				
Assets:				
Cash on hand and in banks	$ 3,388	$ 5,868	$ 7,383	$ 1,873
Liabilities				
Due to student groups	$ 3,388	$ 5,868	$ 7,383	$ 1,873
Iron House Elementary				
Assets:				
Cash on hand and in banks	$ 1,648	$ 10,532	$ 10,708	$ 1,472
Liabilities				
Due to student groups	$ 1,648	$ 10,532	$ 10,708	$ 1,472
Laurel Elementary				
Assets:				
Cash on hand and in banks	$ 13,064	$ 19,091	$ 16,807	$ 15,348
Liabilities				
Due to student groups	$ 13,064	$ 19,091	$ 16,807	$ 15,348
Oakley Elementary				
Assets:				
Cash on hand and in banks	$ 11,602	$ 6,810	$ 7,018	$ 11,394
Liabilities				
Due to student groups	$ 11,602	$ 6,810	$ 7,018	$ 11,394
Vintage Elementary				
Assets:				
Cash on hand and in banks	$ 1,873	$ 8,111	$ 8,162	$ 1,822
Liabilities				
Due to student groups	$ 1,873	$ 8,111	$ 8,162	$ 1,822

See accompanying note to supplementary information.

OAKLEY UNION ELEMENTARY SCHOOL DISTRICT

ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (continued)
JUNE 30, 2012

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Delta Vista Middle School				
Assets:				
Cash on hand and in banks	$ 95,821	$ 129,626	$ 134,443	$ 91,004
Liabilities				
Due to student groups	$ 95,821	$ 129,626	$ 134,443	$ 91,004
Ohara Park Middle School				
Assets:				
Cash on hand and in banks	$ 30,213	$ 74,784	$ 56,418	$ 48,579
Liabilities				
Due to student groups	$ 30,213	$ 74,784	$ 56,418	$ 48,579
Total - All Agency Funds				
Assets:				
Cash on hand and in banks	$ 157,609	$ 254,822	$ 240,939	$ 171,492
Liabilities				
Due to student groups	$ 157,609	$ 254,822	$ 240,939	$ 171,492

See accompanying note to supplementary information.

NOTE 1 – PURPOSES 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 2012-13.

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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INDEPENENDENT 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
Oakley Union Elementary School District
Oakley, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oakley Union 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 12, 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 + Tolleyn, LLP

El Dorado Hills, California
December 12, 2012

Cichella & Tokunaga, LLP

Certified Public Accountants

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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
Oakley Union Elementary School District
Oakley, California

Compliance

We have audited Oakley Union 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.

Cellle + Tokuye, LLP

El Dorado Hills, California
December 12, 2012

Cichella & Tokunaga, LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Oakley Union Elementary School District
Oakley, California

We have audited Oakley Union 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 ADA for Independent Study was below the materiality level that requires testing; therefore, we did not perform any testing of Independent Study ADA.

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

Crowe + Tolegan, LLP

El Dorado Hills, California
December 12, 2012

V - Schedule of Findings and Questioned Costs

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OAKLEY UNION 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)	None reported
Identification of major programs	

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

OAKLEY UNION ELEMENTARY SCHOOL DISTRICT

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

None reported.

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

None reported.

OAKLEY UNION ELEMENTARY SCHOOL DISTRICT

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

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

APPENDIX B

CITY OF OAKLEY AND CONTRA COSTA COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

The following economic and demographic data for the City and the County are presented for information purposes only. Such data has been collected from the City and the County or, as noted, third party sources. The Bonds are not a debt or obligation of the City or the County. The District encompasses a relatively small area within the County and the property tax required to be levied by the County to repay the Bonds will be levied only on property located in the District.

Introduction

The District is located in the City of Oakley (the "City") in Contra Costa County (the "County"). Situated northeast of San Francisco, the County is bounded by San Francisco Bay to the west, the San Pablo Bay and the Sacramento River delta to the north, and by Alameda County on the south. Ranges of hills effectively divide the County into three distinct regions. The western portion, with its access to water, contains much of the County's heavy industry. The central section is rapidly developing from a suburban area into a major commercial and financial headquarters center. The eastern part is also undergoing substantial change, from a rural, agricultural area, to a suburban region. The County has extensive and varied transportation facilities — ports accessible to ocean-going vessels, railroads, freeways, and rapid transit lines connecting the area with the San Francisco Bay Area.

Population

The following table summarizes population figures for the City and the County.

CITY OF OAKLEY AND CONTRA COSTA COUNTY
Population
2001-2012

Year	City of Oakley	Contra Costa County
2001	25,935	962,076
2002	26,866	974,657
2003	27,533	984,256
2004	28,208	993,958
2005	28,747	1,001,216
2006	29,081	1,007,169
2007	31,484	1,015,672
2008	32,930	1,027,264
2009	34,226	1,038,390
2010	35,351	1,047,948
2011	35,998	1,056,306
2012	36,532	1,065,117

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 & 2010 Census Counts (as of January 1). Benchmark. Sacramento, California, November 2012. State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State, 2011 and 2012. Benchmark, Sacramento, California, May 1, 2012.

Industry and Employment

The following tables summarize historical employment and unemployment for the City of Oakley, the County of Contra Costa, the State of California and the United States.

CITY OF OAKLEY
Civilian Labor Force, Employment and Unemployment
(Annual Averages)
2007-2011

	2007	2008	2009	2010	2011 (4)
Civilian Labor Force (1)					
Employment	13,200	13,300	12,700	12,500	12,600
Unemployment (2)	500	600	1,000	1,100	1,000
Total	13,700	13,900	13,700	13,600	13,700
Unemployment Rate (3)	3.3%	4.4%	7.4%	8.1%	7.5%

Source: California Employment Development Department, based on March 2012 benchmark.
(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures in this table.
(4) Latest available full-year data

CONTRA COSTA COUNTY,
CALIFORNIA, AND UNITED STATES
Civilian Labor Force, Employment, and Unemployment
(Annual Averages)
2007-2011

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate (1)
2007				
Contra Costa County	515,100	490,900	24,100	4.7%
California	17,921,000	16,960,700	960,300	5.4
United States	153,124,000	146,047,000	7,078,000	4.6
2008				
Contra Costa County	524,500	492,200	32,400	6.2%
California	18,203,100	16,890,000	1,313,100	7.2
United States	154,287,000	145,362,000	8,924,000	5.8
2009				
Contra Costa County	524,800	471,500	53,400	10.2%
California	18,208,300	16,144,500	2,063,900	11.3
United States	154,142,000	139,877,000	14,265,000	9.3
2010				
Contra Costa County	523,300	465,100	58,200	11.1%
California	18,316,400	16,051,500	2,264,900	12.4
United States	153,889,000	139,064,000	14,825,000	9.6
2011 (2)				
Contra Costa County	524,100	469,600	54,500	10.4%
California	18,384,900	16,226,600	2,158,300	11.7
United States	153,616,667	139,869,250	13,747,417	8.9

Source: California Employment Development Department, Benchmark, March 2012 and US Department of Labor.
(1) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures in this table.
(2) Latest available full-year data

The following table summarizes the historical numbers of workers by industry group from 2007 through 2011 in Contra Costa County.

CONTRA COSTA COUNTY
Annual Average Wage and Salary Employment by Industry*
(Amounts in Thousands)
2007-2011

	2007	2008	2009	2010	2011(1)
Total, All Industries	346,800	339,500	321,800	312,600	312,700
Farm	700	700	800	700	900
Non-Farm:	346,000	338,800	321,000	311,900	311,700
Goods Producing	49,700	46,500	39,900	36,600	34,800
Manufacturing	20,600	20,700	18,700	18,300	17,400
Service Providing	296,300	292,300	281,100	275,300	276,900
Trade, Transportation & Utilities	62,300	61,200	57,300	55,900	56,300
Wholesale Trade	9,100	8,700	7,700	7,600	7,900
Retail Trade	44,400	43,600	41,200	40,400	40,300
Transportation, Warehouse & Util	8,800	8,900	8,300	8,000	8,000
Information	13,000	11,800	10,400	9,600	9,000
Financial Activities	29,100	26,600	25,700	25,300	24,500
Professional & Business Services	49,400	49,300	45,900	43,800	45,500
Educational & Health Services	44,600	45,600	47,700	48,400	49,200
Leisure & Hospitality	33,200	32,800	31,200	31,300	32,200
Other Services	12,500	12,400	11,700	11,800	12,500
Government	52,200	52,600	51,300	49,200	47,800

Source: California Employment Development Department, based on March 2011 benchmark.
*Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.
(1) Latest available full-year data

Major Employers

The major employers in the City of Oakley are as follows:

CITY OF OAKLEY
Major Employers
(Twelve Largest)

Company	Employees
Oakley Union Elementary School District	514
Diamond Hills Sports Club and Spa	59
Lucky's	55
Raley's	48
Ironhouse Sanitary District	33
Foundation Constructors	32
Rain 4 Rent	30
Continente Nut LLC	26
McDonalds	25
Burger King	23
Delta Black Bear Diner	23
Round Table Pizza	23

Source: City of Oakley Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2012.

The following table provides a listing of the major employers headquartered or located in the County, listed alphabetically.

CONTRA COSTA COUNTY
Major Employers
(Listed Alphabetically)

Company	Product/Service	City
Bay Area Rapid Transit (BART)	Transit Lines	Richmond
Bayer Health Care Phrmctcls	Laboratories-Pharmaceutical (Mfrs)	Richmond
Bio-Rad Laboratories Inc	Biological Products (Mfrs)	Hercules
California State Auto Assn	Automobile Clubs	Walnut Creek
Chevron Corp	Oil Refiners (Mfrs)	San Ramon
Chevron Global Downstream LLC	Marketing Programs & Services	San Ramon
Concord Naval Weapons Station	Federal Government-National Security	Concord
Contra-Costa Regional Med Ctr	Hospitals	Martinez
Department of Vetrans Affairs	Clinics	Martinez
Doctor's Medical Ctr	Hospitals	San Pablo
John Muir Health Physical Rhb	Physical Therapists	Concord
John Muir Medical Ctr – Walnut Creek	Hospitals	Walnut Creek
Kaiser Permanente	Hospitals	Walnut Creek
Kaiser Permanente	Clinics	Martinez
Kaiser Permanente – Martinez Med	Hospitals	Concord
La Raza Market	Grocers – Retail	Richmond
Muirlab	Laboratories-Medical	Walnut Creek
Nordstrom	Department Stores	Walnut Creek
Richmond City Offices	Government Offices – City, Village & Twp	Richmond
San Ramon Regional Medical Ctr	Hospitals	San Ramon
Shell Oil Prod	Oil Refiners (Mfrs)	Martinez
St. Mary's College of California	Schools-Universities & Colleges Academic	Moraga
Sutter Delta Medical Ctr	Hospitals	Antioch
Tesoro Golden Eagle Refinery	Oil Refiners (Mfrs)	Pacheco
Va Outpatient Clinic	Surgical Centers	Martinez

Source: America's Labor Market Information System (ALMIS) Employer Database, 2013 1st Edition. Employer information is provided by Infogroup, Omaha, NE, 800/555-5211. Copyright 2013.

Construction Activity

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

CITY OF OAKLEY
Building Permits and Valuation
(Dollars in Thousands)
2007-2011

	2007	2008	2009	2010	2011
Permit Valuation:					
Residential:					
New Single Family	$ 98,567	$55,449	$60,171	$43,186	$20,530
New Multi Family	25,462	4,004	—	3,310	—
Res. Alterations-Additions	2,206	930	1,465	1,105	1,563
Total Residential	$126,236	$60,383	$61,636	$47,600	$22,093
Non-Residential:					
New Commercial	$ 8,587	—	—	—	$ 36
New Industrial	—	—	—	—	—
Other	5,992	$2,216	$1,586	$ 966	—
Com. Alterations-Additions	1,568	251	1,445	796	424
Total Non-Residential	$16,146	$2,467	$3,031	$1,762	$460
New Dwelling Units:					
Single Family	291	163	210	166	77
Multiple Family	262	54	0	44	0
Total	553	217	210	210	77

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

CONTRA COSTA COUNTY
Building Permits and Valuation
(Dollars in Thousands)
2007-2011

	2007	2008	2009	2010	2011
Permit Valuation:					
Residential:					
New Single Family	$ 832,053	$300,089	$300,363	$237,458	$211,418
New Multi Family	94,505	132,825	34,119	106,555	47,304
Res. Alterations-Additions	290,108	29,023	170,150	209,044	233,174
Total Residential	$1,216,666	$661,937	$504,632	$553,058	$491,896
Non-Residential:					
New Commercial	$148,838	$108,228	$ 49,992	$ 38,093	$17,587
New Industrial	17,504	60,376	11,530	29,619	7,188
Other	95,442	66,511	39,879	47,511	15,542
Com. Alterations-Additions	229,530	224,817	212901	170,194	214,585
Total Non-Residential	$491,314	$459,932	$314,301	$285,417	$254,902
New Dwelling Units:					
Single Family	2,698	985	1,038	809	718
Multiple Family	909	909	163	890	355
Total	3,607	1,894	1,201	1,699	1,073

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

Commercial Activity

Taxable sales in the City and County are shown below. Calendar year 2010 is the latest full-year data available from the State. In early 2007 the Board of Equalization began converting business codes of sales and use tax permit holders to North American Industry Classification System (NAICS) codes. This conversion is now complete; with over one million permit holders converted from the prior business coding system to the NAICS codes. Beginning in 2009, reports summarize taxable sales and permits using the NAICS codes and, as a result, the industry-level data for 2009 and 2010 are not comparable to that of prior years.

CITY OF OAKLEY
Taxable Sales
(Dollars in Thousands)

	Taxable Sales ($000)				
	2006	2007	2008	2009	2010 (1)
Retail & Food Service	95,097	107,320	105,307	86,700	92,756
Total Outlets	110,243	135,111	125,877	115,462	124,283

CONTRA COSTA COUNTY
Taxable Sales
(Dollars in Thousands)

	Taxable Sales ($000)		
	2006	2007	2008
Retail Stores			
Apparel Stores	$ 462,451	$ 470,507	$ 528,456
General Merchandise	1,882,310	1,878,711	1,753,124
Specialty Stores(1)	1,353,099	—-	—-
Food Stores	607,062	616,296	594,275
Eating and Drinking	1,098,793	1,125,644	1,134,412
Household Group	468,008	427,995	471,620
Building Material Group	1,027,731	944,683	747,773
Automotive Group	3,061,806	1,812,785	1,406,932
Service Stations(2)	—-	1,351,405	1,514,897
All Other Retail Stores	314,647	1,481,678	1,332,819
Retail Stores Totals	10,275,907	10,109,704	9,484,307
Business & Personal Services	567,375	555,973	533,701
All Other Outlets	3,024,379	340,618	3,289,673
Total All Outlets(4)	$13,867,661	$14,086,295	$13,307,681

	2009	2010 (3)
Retail and Food Services		
Motor Vehicles and Parts Dealers	$ 1,184,803	$ 1,234,844
Furniture and Home Furnishings Stores	225,331	227,432
Electronics and Appliance Stores	385,742	356,124
Bldg Mtrl. and Garden Equip. and Supplies	711,475	718,405
Food and Beverage Stores	657,337	673,326
Health and Personal Care Stores	264,279	264,011
Gasoline Stations	1,151,058	1,312,703
Clothing and Clothing Accessories Stores	642,813	663,243
Sporting Goods, Hobby, Book & Music Stores	314,924	304,491
General Merchandise Stores	1,380,111	1,406,756
Miscellaneous Store Retailers	397,297	382,048
Nonstore Retailers	47,224	46,613
Food Services and Drinking Places	1,111,182	1,126,398
Total Retail and Food Services	8,473,578	8,716,393
All Other Outlets	3,409,471	3,237,454
Totals All Outlets(4)	$11,883,049	$11,953,846

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).
(1) Starting 2007, Specialty Stores Group is included in All Other Retail Stores Group.
(2) Starting 2007, Service Stations are reported separately from "Automotive."
(3) Starting in 2009, categories were revised from prior years. Most recent annual data available.
(4) Totals may not add up due to independent rounding.

Median Household Income

The following table summarizes the median household effective buying income for the City, the County, the State of California and the nation for the years 2007 through 2011.

CITY OF OAKLEY, CONTRA COSTA COUNTY
STATE OF CALIFORNIA AND UNITED STATES
Median Household Effective Buying Income
2007-2011

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2007	City of Oakley	$ 590,832	$62,823
	Contra Costa County	30,138,295	61,123
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of Oakley	$ 645,612	$64,471
	Contra Costa County	30,737,690	61,903
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Oakley	$ 715,930	$66,308
	Contra Costa County	31,197,703	64,213
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Oakley	$ 692,232	$40,037
	Contra Costa County	30,049,698	61,031
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Oakley	$ 711,552	$60,988
	Contra Costa County	30,416,350	60,777
	California	814,578,457	47,062
	United States	6,438,704,663	41,253

Source: Nielsen, Inc.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Trustees of the
Oakley Union Elementary School District
91 Mercedes Lane
Oakley, California 94561

OPINION: $5,880,000* Oakley Union Elementary School District (Contra Costa County, California) 2013 General Obligation Refunding Bonds

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Members of the Board of Trustees:

We have acted as bond counsel to the Oakley Union Elementary School District (the "District") in connection with the issuance by the District of $5,880,000* principal amount of Oakley Union Elementary School District (Contra Costa County, California) 2013 General Obligation Refunding Bonds (the "Bonds"), pursuant to provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), a resolution adopted by the Board of Trustees of the District on February 20, 2013 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

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

4. Subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. It is also our opinion that the Bonds are "qualified tax exempt obligations" under section 265(b)(3) of the Code.

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* Preliminary, subject to change.

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

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

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

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

Respectfully submitted,

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the OAKLEY UNION ELEMENTARY SCHOOL DISTRICT (the "District") in connection with the issuance by the District of its $5,880,000* Oakley Union Elementary School District (County of Contra Costa, California) 2013 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on February 20, 2013 (the "Resolution"). The District covenants and agrees as follows:

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

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

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

"*Dissemination Agent*" shall mean KNN Public Finance or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

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

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Participating Underwriter*" shall mean the original underwriter of the Bonds, required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2012-13 Fiscal Year, which is due not later than March 31, 2014, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report

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* Preliminary, subject to change.

that is consistent with the requirements of Section 4 of this Disclosure Certificate. The filing of the official statement prepared for the Bonds shall satisfy the filing requirement for 2013. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

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

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

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

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

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

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

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

(i) average daily attendance of the District for the last completed fiscal year;
(ii) outstanding District indebtedness;
(iii) tax delinquencies, to the extent the County is no longer on the Teeter Plan; and
(iv) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

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

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

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

Section 5. Reporting of Listed Events.

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

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

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

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

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

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

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

Section 8. Dissemination Agent.

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

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

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

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

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

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

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

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

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

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

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

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

Date: [Closing Date]

OAKLEY UNION ELEMENTARY SCHOOL DISTRICT

By ____
Authorized Officer

ACKNOWLEDGED:

KNN PUBLIC FINANCE, as Dissemination Agent

By ____
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Oakley Union Elementary School District
Name of Issues:	Oakley Union Elementary School District (County of Contra Costa, California) 2013 General Obligation Refunding Bonds
Date of Issuance:	[Closing Date]

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

Dated: ___________________

KNN PUBLIC FINANCE, as Dissemination Agent

By ____
Title ______________________________________

cc: Paying Agent

APPENDIX E

BOOK-ENTRY SYSTEM

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede &Co. or such other name as requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the

Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

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

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

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