PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 12, 2014

NEW ISSUE — BOOK-ENTRY ONLY

Ratings: S&P (underlying): "A+"
(See "MISCELLANEOUS – Ratings" herein)

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California ("Bond Counsel") subject, however, to certain qualifications described herein, under existing law, the interest on the Series 2014A Refunding Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the Refunding Bonds is exempt from California personal income taxes. Interest on the Series 2014B Bonds is subject to federal income taxation. See "TAX MATTERS" herein.

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
General Obligation Refunding Bonds

$19,420,000* **Series 2014A (Tax Exempt)**

$830,000* **Series 2014B (Federally Taxable)**

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

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Jefferson Union High School District (County of San Mateo, California) General Obligation Refunding Bonds, Series 2014A (Tax Exempt) (the "Series 2014A Refunding Bonds") and the Jefferson Union High School District (County of San Mateo, California) General Obligation Refunding Bonds, Series 2014B (Federally Taxable) (the "Series 2014B Refunding Bonds" and together with the Series 2014A Refunding Bonds, the "Refunding Bonds") are being issued by the Jefferson Union High School District (the "District"), located in the County of San Mateo, California (the "County"), (i) to refund a portion of the District's outstanding Jefferson Union High School District (County of San Mateo, California) General Obligation Bonds, 2006 Election, Series D, (ii) to pay capitalized interest on the Refunding Bonds, and (iii) to pay costs of issuance of the Refunding Bonds. See "THE REFUNDING BONDS – Outstanding Bonds; Plan of Finance" herein.

The Refunding Bonds are being issued pursuant to the laws of the State of California (the "State") and a resolution of the Board of Trustees of the District, adopted on August 5, 2014. See "THE REFUNDING BONDS – Authority for Issuance" herein.

The Refunding Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Refunding Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS" herein.

The Refunding Bonds will be issued as current interest bonds. The Refunding Bonds shall be issued in denominations of $5,000 principal amount and integral multiples thereof as shown on the inside cover page of this Official Statement. Interest on the Refunding Bonds shall be payable on February 1 and August 1 of each year, commencing on February 1, 2015.

The Refunding 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 The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Refunding Bonds. Individual purchases of Refunding Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Refunding Bonds purchased by them. Payments of the principal of and interest on the Refunding Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as paying agent for the Refunding Bonds, to DTC for subsequent disbursement through DTC Participants to the beneficial owners of the Refunding Bonds.

As more fully described herein, the District may obtain a municipal bond insurance policy from Build America Mutual Assurance Company pursuant to a commitment that has been issued by it to the District. The policy, if obtained, would guarantee the scheduled payment of principal of and interest on the Refunding Bonds covered thereby (see "POSSIBLE BOND INSURANCE" herein). The District's decision whether or not to obtain such a policy will be made at or about the time of pricing of the Refunding Bonds and will be based upon, among other things, market conditions at the time of such pricing. No assurance can be given as to whether the District will obtain such a policy, and, if so, whether such policy will cover all or less than all of the Refunding Bonds.

The Refunding Bonds are subject to redemption prior to maturity as described herein. See "THE REFUNDING BONDS – Redemption" herein.

The Refunding Bonds will be offered when, as and if issued by the District and received by the Underwriters, subject to the approval of legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Underwriters' Counsel. It is anticipated that the Refunding Bonds, in definitive form, will be available for delivery through the facilities of DTC in New York, New York, on or about October 2, 2014.

Raymond James **Barclays**

This Official Statement is dated __________, 2014.

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* *Preliminary; subject to change.*

MATURITY SCHEDULE*
BASE CUSIP[1]: 472466

$19,420,000*
JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
General Obligation Refunding Bonds, Series 2014A (Tax Exempt)

$__________ Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number[1]

$__________ _____% Term Bonds due August 1, 20__ – Yield _____% - CUSIP Number _____

$830,000*
JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
General Obligation Refunding Bonds, Series 2014B (Federally Taxable)

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number[1]

* *Preliminary; subject to change.*

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)

DISTRICT ADMINISTRATORS

Dr. Thomas Minshew, *Superintendent*
Steven Fuentes, *Associate Superintendent of Business Services*
Keith Irish, *Associate Superintendent – Education*
Sherry Segalas, *Associate Superintendent – Pupil Personnel/Special Education Services*

PROFESSIONAL SERVICES

Financial Advisor

Dale Scott & Company Inc.
San Francisco, California

Bond Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Underwriters' Counsel

Orrick, Herrington & Sutcliffe LLP
Irvine, California

Paying Agent and Escrow Bank

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

Escrow Verification

Causey Demgen & Moore P.C.
Denver, Colorado

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TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

Page

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

The Refunding Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Refunding Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, 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 Refunding Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Refunding Bonds or the advisability of investing in the Refunding Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "POSSIBLE BOND INSURANCE" and APPENDIX G – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

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

In connection with this offering, the Underwriters may overallot or effect transactions which stabilize or maintain the market prices of the Refunding Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Refunding Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

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JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
General Obligation Refunding Bonds

$19,420,000*	**$830,000***
Series 2014A (Tax Exempt)	**Series 2014B (Federally Taxable)**

INTRODUCTION

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

General

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of $19,420,000* aggregate principal amount of Jefferson Union High School District (County of San Mateo, California) General Obligation Refunding Bonds, Series 2014A (Tax Exempt) (the "Series 2014A Refunding Bonds") and $830,000* aggregate principal amount of Jefferson Union High School District (County of San Mateo, California) General Obligation Refunding Bonds, Series 2014B (Federally Taxable) (the "Series 2014B Refunding Bonds" and together with the Series 2014A Refunding Bonds, the "Refunding Bonds"), all as indicated on the inside front cover hereof, to be issued by the Jefferson Union High School District (the "District"), located in the County of San Mateo, California (the "County").

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See "OTHER LEGAL MATTERS – Continuing Disclosure."

The purpose of this Official Statement is to supply information to prospective buyers of the Refunding Bonds. Quotations from and summaries and explanations of the Refunding Bonds, a resolution of the Board of Trustees of the District, adopted on August 5, 2014, providing for the issuance of the Refunding Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

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

Copies of documents referred to herein and information concerning the Refunding Bonds are available from the District by contacting: Jefferson Union High School District, 699 Serramonte Blvd., Suite 100, Daly City, California 94015, Attention: Associate Superintendent of Business Services. The District may impose a charge for copying, handling and mailing such requested documents.

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* *Preliminary; subject to change.*

The District

The District, located south of San Francisco, is comprised of approximately 35 square miles located in the cities of Daly City, Colma, Brisbane and Pacifica. Currently, the District operates five high schools, as follows: Jefferson High School, Terra Nova High School, Thornton High School, Westmoor High School and Oceana High School. In addition, the District maintains one adult education facility. Enrollment for fiscal year 2013-14 was estimated at approximately 4,700 students, and for fiscal year 2014-15 is projected to be approximately 4,750 students.

For additional information about the District, see APPENDIX A − "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2013."

THE REFUNDING BONDS

Authority for Issuance

The Refunding Bonds are being issued pursuant to provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and other applicable law, and a resolution adopted by the Board of Trustees of the District on August 5, 2014, providing for the issuance of the Refunding Bonds (the "Resolution").

Purpose of Issue

Proceeds from the Refunding Bonds will be used (i) to refund a portion of the District's outstanding Jefferson Union High School District (County of San Mateo, California) General Obligation Bonds, 2006 Election, Series D (the "Series 2006D Bonds"), (ii) to pay capitalized interest on the Refunding Bonds, and (iii) to pay costs of issuance of the Refunding Bonds. See "−Outstanding Bonds; Plan of Finance" and "−Estimated Sources and Uses of Funds" below.

Possible Municipal Bond Insurance

As more fully described herein, the District may obtain a municipal bond insurance policy from Build America Mutual Assurance Company ("BAM") pursuant to a commitment that has been issued by BAM to the District. The policy, if obtained, would guarantee the scheduled payment of principal of and interest on the Refunding Bonds covered thereby (see "POSSIBLE BOND INSURANCE" herein). The District's decision whether or not to obtain such a policy will be made at or about the time of pricing of the Refunding Bonds and will be based upon, among other things, market conditions at the time of such pricing. No assurance can be given as to whether the District will obtain such a policy, and, if so, whether such policy will cover all or less than all of the Refunding Bonds.

Form and Registration

The Refunding Bonds will be issued in book-entry 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"), and will be available to purchasers of the Refunding Bonds (the "Beneficial Owners") 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 receive physical delivery of certificates from the District representing their interests in the Refunding Bonds being purchased. Payments of the principal of, premium, if any, and interest on the Refunding Bonds will be made by The Bank of New York Mellon Trust Company, N.A., the paying agent for the Refunding Bonds (the "Paying Agent"), to DTC, and such payments will be remitted by DTC to the participants in DTC for subsequent disbursement to the Beneficial Owners of Refunding Bonds. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

The Refunding Bonds shall be dated the date of their delivery, and shall bear interest at the rates set forth in the table on the inside cover page hereof, payable on February 1 and August 1 of each year, commencing on February 1, 2015 (each an "Interest Payment Date"), calculated on the basis of a 360-day year comprised of twelve 30-day months. The Refunding Bond shall be issued in denominations of $5,000 or any integral multiples thereof, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a date during the period from the 15th calendar day of the month immediately preceding such Interest Payment Date whether or not such day is a business day (each, a "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date for such Refunding Bonds, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Refunding Bond, interest is in default on any outstanding Refunding Bonds, such Refunding Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Refunding Bonds.

Interest on the Refunding Bonds shall be paid in lawful money of the United States on each Interest Payment Date. Interest shall be paid by check of the Paying Agent mailed on each Interest Payment Date (if a business day, or on the next business day if the Interest Payment Date does not fall on a business day) to the registered owners thereof (the "Owners") as of the Record Date preceding such Interest Payment Date at their respective addresses shown on the registration books (the "Registration Books") maintained by the Paying Agent or at such address as the Owner may have filed with the Paying Agent for that purpose, except that the payment shall be made by wire transfer of immediately available funds to any Owner of at least $1,000,000 of outstanding Refunding Bonds who shall have requested in writing such method of payment of interest prior to the close of business on the Record Date immediately preceding any Interest Payment Date.

The principal of the Refunding Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of the Paying Agent at the maturity thereof or upon redemption prior to maturity. So long as the Refunding Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption of Series 2014A Refunding Bonds.* The Series 2014A Refunding Bonds maturing on or before August 1, 2024, are not subject to optional redemption prior to their respective stated maturities. The Series 2014A Refunding Bonds maturing on or after August 1, 2025 are subject to optional redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available sources of funds, on August 1, 2024 and on any date thereafter, at a redemption price equal to 100% of the principal amount of the Series 2014A Refunding Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption.

Mandatory Sinking Fund Redemption of Series 2014A Refunding Bonds.* The $__________ term Series 2014A Refunding Bonds maturing on August 1, 20__, are subject to mandatory sinking fund

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* *Preliminary; subject to change.*

redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
†	

† Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 principal amount, by any portion of the term Series 2014A Refunding Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

No Early Redemption of Series 2014B Refunding Bonds. The Series 2014B Refunding Bonds are not subject to redemption prior to maturity.

Selection of Series 2014A Refunding Bonds for Redemption. If less than all of the Series 2014A Refunding Bonds are called for redemption, such Series 2014A Refunding Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Series 2014A Refunding Bonds of any one maturity are called for redemption, the Paying Agent shall select the outstanding Series 2014A Refunding Bonds of such maturity to be redeemed by lot.

Notice of Redemption. Notice of any redemption of the Series 2014A Refunding Bonds shall be mailed by the Paying Agent, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the Registration Books, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate.

Each notice of redemption shall state (i) the date of such notice; (ii) the name of the Series 2014A Refunding Bonds and the date of issue of such Series 2014A Refunding Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Series 2014A Refunding Bonds to be redeemed; (vi) if less than all of the Series 2014A Refunding Bonds of any maturity are to be redeemed, the distinctive numbers of the Series 2014A Refunding Bonds of each maturity to be redeemed; (vii) in the case of Series 2014A Refunding Bonds redeemed in part only, the respective portions of the principal amount of the Series 2014A Refunding Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series 2014A Refunding Bonds to be redeemed; (ix) a statement that such Series 2014A Refunding Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Series 2014A Refunding Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. The actual receipt by the Owner of any Series 2014A Refunding Bond or by any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Series 2014A Refunding Bonds or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above and when the redemption price of the Series 2014A Refunding Bonds called for redemption is set aside, the Series 2014A Refunding Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Series 2014A Refunding Bonds at the place specified in the notice of redemption, such Series 2014A Refunding Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2014A Refunding Bonds so called for redemption after such redemption date shall look for the payment of such Series 2014A Refunding Bonds and the redemption premium thereon, if any, only to moneys on deposit for the purpose in the interest and sinking fund of the District within the County treasury (the "Interest and Sinking Fund") or the trust fund established for such purpose. All Series 2014A Refunding Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Series 2014A Refunding Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund of the District or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2014A Refunding Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Series 2014A Refunding Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Defeasance

The District may pay and discharge any or all of the Refunding Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money and/or non-callable direct obligations of the United States of America (including zero interest bearing State and Local Government Series) or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Refunding Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Moneys

Any money held in any fund created pursuant to the Resolution or by the Paying Agent or an escrow agent in trust for the payment of the principal of, redemption premium, if any, or interest on Refunding Bonds and remaining unclaimed for two years after the principal of all of such Refunding Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

Outstanding Bonds; Plan of Finance

Outstanding Bonds. In addition to the Refunding Bonds, the District has eight additional outstanding series of bonds, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District, and a series of bond anticipation notes.

In March 30, 2000, the District issued its 2000 General Obligation Refunding Bonds, Series A in the aggregate principal amount of $22,060,000 (the "Series 2000A Refunding Bonds"). The proceeds of the Series 2000A Refunding Bonds were used to advance refund the District's General Obligation Bonds, Election 1995, Series A, Series B, Series C, and Series D.

On August 16, 2005 the Golden West Schools Financing Authority ("GWSFA") issued its 2005 General Obligation Revenue Bonds (Jefferson Union High School District Refunding) in the amount of $5,660,000 (the "GWSFA Bonds") to provide funds to advance refund the District's General Obligation Bonds, Election of 1995, Series E (the "Series 1995E Bonds"). Concurrently, the District issued its $5,045,000 aggregate principal amount of its 2005 General Obligation Refunding Bonds (the "Series 2005 Refunding Bonds") as replacement bonds, which are privately held bonds. The revenue from the Series 2005 Refunding Bonds is pledged to pay the principal of and interest on the GWSFA Bonds. The final maturity of both series of bonds is August 1, 2030.

On November 7, 2006, over 55% of the registered voters of the District received authorization to issue bonds of the District in an aggregate principal amount of $136,900,000 (the "2006 Authorization"). On May 9, 2007, the District issued its General Obligation Bonds, 2006 Election, Series A (the "Series 2006A Bonds") in the aggregate principal amount of $50,000,000, which was the District's first series of bonds to be issued under the 2006 Authorization. On July, 23, 2009, the District issued its General Obligation Bonds, Series 2006 Election, Series B (the "Series 2006B Bonds") in the aggregate initial principal amount of $17,998,936.60, which was the District's second series of bonds to be issued under the 2006 Authorization. On April 29, 2010, the District issued its General Obligation Bonds, 2006 Election, Series C (the "Series 2006C Bonds") in the aggregate principal amount of $12,000,000, which was the District's third series of bonds to be issued under the 2006 Authorization. On February 1, 2011, the District issued the Series 2006D Bonds in the aggregate initial principal amount of $14,999,736.85, which was the District's fourth series of bonds to be issued under the 2006 Authorization. On June 16, 2011, in anticipation of issuing additional bonds under the 2006 Authorization, the District issued its 2011 Taxable Bond Anticipation Notes (Direct-Pay Qualified School Construction Bonds) (the "Series 2011 BANs") in the aggregate principal amount of $4,860,000. The Series 2011 BANs mature on June 1, 2016.

On November 6, 2012, over 55% of the registered voters of the District received reauthorization to issue bonds of the District in an aggregate principal amount of $41,900,000 (the "2012 Reauthorization"). On May 9, 2013, the District issued $35,540,000 aggregate principal amount of its General Obligation Bonds, 2012 Election, Series A (GO Reauthorization Bonds) (the "Series 2012A Bonds") as its first series of bonds issued under the 2012 Reauthorization. On June 27, 2013, the District issued its 2012 General Obligation Ed-Tech Bonds, Series B (the "Series 2012B Bonds"), in the aggregate principal amount of $1,500,000 for the purpose of financing technology projects.

At the November 2014 election, the registered voters of the District will be voting on a proposition to authorize the District to issue bonds in an aggregate principal amount of $133,000,000. The District cannot make any representations as to whether the District's bond proposition will be approved by the voters at the November 2014 election.

Plan of Finance. The District has engaged Barclays Capital, Inc. and Raymond James & Associates, Inc., as repurchase agents (the "Repurchase Agents"), to purchase all or portions of the Series 2006D Bonds through privately negotiated open market purchases. The District expects to issue the Refunding Bonds, in part, to fund the purchase of such purchased Series 2006D Bonds (the "Repurchased Bonds"), as further described in the table below, from the Repurchase Agents on the date of issuance of the Refunding Bonds. Upon such purchase, the Repurchased Bonds will be cancelled. The District has also decided to refund a portion of the Series 2006D Bonds (not purchased by the Repurchase Agents) (the "Refunded Bonds" and, together with the Repurchased Bonds, the "Prior Bonds"), as further described in the table below, using the optional redemption provisions applicable to the Series 2006D Bonds. Accordingly, the proceeds of the Refunding Bonds will be issued (i) to purchase, on a current basis, the Repurchased Bonds, (ii) to refund, on an advance basis, the Refunded Bonds, (iii) to fund capitalized interest on the Refunding Bonds through August 1, 2015, and (iv) to pay certain costs of issuance of the Refunding Bonds. See "− Estimated Sources and Uses of Funds" below.

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
Repurchased Bonds and Refunded Bonds*

Maturity Date (August 1)	Initial Principal Amount to be Refunded	Maturity Value to be Refunded	Redemption Date[(2)]	CUSIP[(3)]
2034[(1)]	$1,018,164.60	$6,915,000.00	8/01/2021	472466ZL8[(4)]
2035	1,425,060.00	10,500,000.00	8/01/2021	472466ZM6
2036	1,388,912.70	11,130,000.00	8/01/2021	472466ZN4
2037	1,293,004.45	11,795,000.00	8/01/2021	472466ZP9
2038	1,318,527.20	12,505,000.00	8/01/2021	472466ZQ7
2039	1,284,276.95	13,255,000.00	8/01/2021	472466ZR5
2040	1,254,243.50	14,050,000.00	8/01/2021	472466ZS3
2041	1,221,128.90	14,890,000.00	8/01/2021	472466ZT1

(1) Represents a portion of the Series 2006D Bonds maturing on August 1 of the indicated year.
(2) Repurchased Bonds are to be purchased on the date of issuance of the Refunding Bonds.
(3) CUSIP numbers are provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such CUSIP numbers.
(4) Represents CUSIP number prior to refunding.

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
Unrefunded Series 2006D Bonds*

Maturity Date (August 1)	Initial Principal Amount	Unrefunded Maturity Value	CUSIP[(2)]
2027	$78,206.30	$535,000.00	472466ZD6
2028	91,070.00	700,000.00	472466ZE4
2029	99,000.45	855,000.00	472466ZF1
2030	319,455.00	3,100,000.00	472466ZG9
2031	715,141.00	5,660,000.00	472466ZH7
2032	1,519,656.80	8,660,000.00	472466ZJ3
2033	1,473,641.40	9,185,000.00	472466ZK0
2034[(1)]	440,247.60	2,990,000.00	472466ZL8[(3)]

(1) Represents a portion of the Series 2006D Bonds maturing on August 1 of the indicated year.
(2) CUSIP numbers are provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such CUSIP numbers.
(3) Represents CUSIP number prior to refunding.

* *Preliminary; subject to change.*

The District and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank") will enter into an Escrow Agreement, dated as of October 1, 2014, with respect to the Refunded Bonds (the "Escrow Agreement"), pursuant to which the District will deposit a portion of the proceeds from the sale of the Refunding Bonds into a special fund to be held by the Escrow Bank. The amounts deposited with the Escrow Bank with respect to the Refunded Bonds will be used to purchase certain United States governmental obligations and/or other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America, the principal of and interest on which (together with any uninvested amount) will be sufficient to enable the Escrow Bank to redeem the Refunded Bonds at a redemption price equal to 100% of the accreted value of the Refunded Bonds on their first optional redemption date (August 1, 2021). See "ESCROW VERIFICATION" herein. As a result of the deposit and investment of funds pursuant to the Escrow Agreement, the Refunded Bonds will be legally defeased on the date of original delivery of the Refunding Bonds, and will be payable solely from amounts held by the Escrow Bank for that purpose under the Escrow Agreement.

The Refunding Bonds are payable from ad valorem taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Refunding Bonds. The proceeds of the levy shall be deposited to the credit of the interest and sinking fund of the District within the County treasury (the "Interest and Sinking Fund"). Such proceeds shall be applied for the payment of principal of and interest on the Refunding Bonds. Moneys in the Interest and Sinking Fund will be invested on behalf of the District in any one or more investments generally permitted to school districts authorized pursuant to Section *53601 et seq.* or Section 53635 *et seq.* of the California Government Code by the County Treasurer, and consistent with the investment policy of the County. See APPENDIX E – "SAN MATEO COUNTY INVESTMENT POLICIES AND PRACTICES; DESCRIPTION OF INVESTMENT POOL."

Debt Service Schedule

The following table shows the annual debt service requirements of the Refunding Bonds, assuming no early redemptions:

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
General Obligation Refunding Bonds, Series 2014A (Tax Exempt)
and Series 2014B (Federally Taxable)

	Series 2014A Refunding Bonds		Series 2014B Refunding Bonds		
Year Ending August 1,	Principal	Interest	Principal	Interest	Total Debt Service
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
Total:					

Aggregate Debt Service

Debt service on each series of the District's outstanding bonds, including the Refunding Bonds, assuming no early redemptions, is shown in the following table:

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
General Obligation Bonds - Aggregate Debt Service

Period Ending August 1,	Series 2000A Refunding Bonds	Series 2005 Refunding Bonds	Series 2006A Bonds	Series 2006B Bonds	Series 2006C Bonds	Series 2006D Bonds[1]	Series 2012A Bonds	Series 2012B Bonds	Refunding Bonds	Aggregate Total Debt Service
2014	$1,664,458.75	$389,290.96	$3,394,540.00	$365,643.75	$1,006,850.00	-	$2,425,648.13	$525,117.50		
2015	1,661,646.25	391,228.56	3,436,040.00	518,443.75	1,001,250.00	-	2,149,712.50	515,300.00		
2016	1,670,865.00	392,589.16	3,492,640.00	650,893.75	1,060,350.00	-	2,164,212.50	507,650.00		
2017	1,671,802.50	393,239.96	3,514,440.00	847,968.75	1,105,100.00	-	2,173,612.50	-		
2018	1,679,458.75	393,249.76	3,532,640.00	1,049,468.75	1,156,100.00	-	2,181,212.50	-		
2019	1,678,365.00	392,609.76	3,557,240.00	1,235,531.25	1,292,850.00	-	2,192,012.50	-		
2020	1,678,833.75	391,309.56	3,582,840.00	1,445,931.25	1,420,850.00	-	2,200,812.50	-		
2021	1,679,521.25	394,445.30	3,607,150.00	1,665,981.25	1,565,100.00	-	2,207,612.50	-		
2022	1,684,538.75	391,619.70	3,612,150.00	1,905,668.75	1,727,500.00	-	2,234,362.50	-		
2023	1,684,880.00	393,224.70	3,611,400.00	2,164,818.75	1,906,300.00	-	2,246,962.50	-		
2024	1,685,222.50	393,973.56	3,609,900.00	3,738,575.00	795,500.00	-	2,257,162.50	-		
2025	1,685,243.75	393,735.30	3,625,250.00	4,686,868.75	319,000.00	-	2,256,912.50	-		
2026	1,679,782.50	397,635.66	3,638,218.75	5,039,181.25	304,500.00	-	2,253,412.50	-		
2027	1,391,256.25	395,385.90	3,655,500.00	5,355,981.25	1,006,850.00	$535,000.00	2,251,662.50	-		
2028	959,661.25	397,273.66	3,671,656.25	5,687,525.00	1,001,250.00	700,000.00	2,279,631.25	-		
2029	488,060.00	398,012.30	3,686,468.75	6,058,556.25	1,060,350.00	855,000.00	2,308,281.25	-		
2030	-	402,598.36	3,704,718.75	3,364,075.00	-	3,100,000.00	2,334,331.25	-		
2031	-	-	3,720,968.75	233,862.50	-	5,660,000.00	2,360,606.25	-		
2032	-	-	-	233,112.50	-	8,660,000.00	2,386,731.25	-		
2033	-	-	-	231,825.00	-	9,185,000.00	2,414,706.25	-		
2034	-	-	-	-	-	9,905,000.00	2,439,356.25	-		
2035	-	-	-	-	-	10,500,000.00	2,468,050.00	-		
2036	-	-	-	-	-	11,130,000.00	2,492,937.50	-		
2037	-	-	-	-	-	11,795,000.00	2,521,125.00	-		
2038	-	-	-	-	-	12,505,000.00	-	-		
2039	-	-	-	-	-	13,255,000.00	-	-		
2040	-	-	-	-	-	14,050,000.00	-	-	-	
2041	-	-	-	-	-	14,890,000.00	-	-	-	
Total:	$24,643,596.25	$6,701,422.16	$64,653,761.25	$46,479,912.50	$14,661,250.00	$126,725,000.00	$55,201,066.88	$1,548,067.50		

[1] Does not reflect the planned refunding of the Prior Bonds from proceeds of the Refunding Bonds.

Estimated Sources and Uses of Funds

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

	Series 2014A Refunding Bonds	Series 2014B Refunding Bonds	Total
<u>Sources of Funds</u>:			
Principal Amount of Refunding Bonds			
Plus Net Original Issue Premium			
Total Sources of Funds			
<u>Uses of Funds</u>:			
Purchase of Repurchased Bonds/Escrow Deposit			
Underwriters' Discount			
Costs of Issuance(1)			
Interest and Sinking Fund(2)			
Total Uses of Funds			

(1) Includes bond counsel fees, disclosure counsel fees, financial advisor and other consultant fees, rating agency fees, initial paying agent fees, bond insurance premium, if any, printing fees and other miscellaneous fees and expenses.
(2) Expected to fund interest on the Refunding Bonds through August 1, 2015.

SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on a school district's bonds, the board of supervisors of the county, the superintendent of schools of which has jurisdiction over such school district, is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by such school district, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the school district. The assessor of the county in which the school district lies must annually certify to the board of supervisors the assessed value of all taxable property in the county situated in the school district. The board of supervisors must levy upon the property of the school district within its own county the rate of tax that will be sufficient to raise not less than the amount needed to pay the interest and any portion of the principal of the bonds that is to become due during the year.

Accordingly, the Board of Supervisors of the County must levy upon the property of the District the rate of tax that will be sufficient to provide sufficient funds for repayment of principal and interest when due on the Refunding Bonds. When collected, the tax revenues will be deposited in the District's Interest and Sinking Fund, which is required to be maintained by the County and to be used solely for the payment of bonds of the District. Moneys in the Interest and Sinking Fund will be invested on behalf of the District in any one or more investments generally permitted to school districts authorized pursuant to Section 53601 *et seq.* or Section 53635 *et seq.* of the California Government Code by the County Treasurer, and consistent with the investment policy of the County. See APPENDIX E – "SAN MATEO COUNTY INVESTMENT POLICIES AND PRACTICES; DESCRIPTION OF INVESTMENT POOL."

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer and tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer and tax collector, as *ex officio* treasurer of each school district located in the county, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the bonds when due.

Assessed Valuation of Property Within the District

Taxable property located in the District had a 2013-14 assessed value of $15,559,024,889 and has a 2014-15 assessed value of $16,243,490,284. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed. See *"−Appeals of Assessed Valuation; Blanket Reductions of Assessed Values"* below.

Under the State Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

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

Shown in the following table is the assessed valuation of the various classes of property in the District for recent fiscal years.

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
Assessed Value of Secured and Unsecured Property
Fiscal Years 2009-10 through 2014-15

Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation
2009-10	$13,994,061,136	$2,218,398	$573,870,112	$14,570,149,646
2010-11	13,987,731,210	2,218,398	583,246,364	14,573,195,972
2011-12	14,107,131,524	2,601,347	540,187	14,650,309,058
2012-13	14,289,557,122	2,601,347	524,983,539	14,817,142,008
2013-14	15,067,886,840	2,601,347	488,536,702	15,559,024,889
2014-15	15,749,323,780	2,601,347	491,565,157	16,243,490,284

Source: California Municipal Statistics, Inc. for fiscal years 2009-10 through 2013-14; the County of San Mateo for fiscal year 2014-15.

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

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

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

In addition, Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the County assessor's office, the County has in the past, pursuant to Article XIIIA of the State Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

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

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Bonding Capacity. As a high school district, the District may issue bonds in an amount up to 1.25% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2014-15 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $203 million and its net bonding capacity is approximately $58.9 million (taking into account current outstanding debt before issuance of the Refunding Bonds and the refunding of the Prior Bonds). Refunding Bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Jurisdiction. The following table describes the percentage and value of the total assessed value of the District that resides in the cities and unincorporated portions of the County for fiscal year 2013-14, as shown below.

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
2013-14 Assessed Valuation by Jurisdiction[(1)]

Jurisdiction	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Brisbane	$1,585,972,763	10.19%	$1,585,972,763	100.00%
Town of Colma	526,008,795	3.38	$571,240,415	92.08%
City of Daly City	7,936,113,206	51.01	$9,279,642,855	85.52%
City of Pacifica	4,696,398,961	30.18	$4,696,398,961	100.00%
City of South San Francisco	250,986,350	1.61	$14,304,352,770	1.75%
Unincorporated San Mateo County	563,544,814	3.62	$16,004,403,785	3.52%
Total District	$15,559,024,889	100.00%		
San Mateo County	$15,559,024,889	100.00%	$157,016,393,571	9.91%

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

Assessed Valuation by Land Use. The following table gives a distribution of taxable property located in the District on the fiscal year 2013-14 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
2013-14 Assessed Valuation and Parcels by Land Use

	2013-14 Assessed Valuation[(1)]	Percent of Total	No. of Parcels	Percent of Total
Non-Residential:				
Commercial/Office	$1,634,614,201	10.85%	909	2.45%
Industrial	556,153,378	3.69	287	0.77
Recreational	100,593,262	0.67	30	0.08
Government/Social/Institutional	11,523,341	0.08	186	0.50
Miscellaneous	35,349,755	0.23	234	0.63
Subtotal Non-Residential	$2,338,233,937	15.52%	1,646	4.44%
Residential:				
Single Family Residence	$9,909,965,077	65.77%	29,331	79.04%
Condominium/Townhouse	1,081,858,755	7.18	2,610	7.03
2-4 Residential Units	563,601,985	3.74	1,315	3.54
5+ Residential Units/Apartments	902,015,560	5.99	446	1.20
Miscellaneous Residential	3,300,767	0.02	30	0.08
Subtotal Residential	$12,460,742,144	82.70%	33,732	90.90%
Vacant Parcels	$268,910,759	1.78%	1,730	4.66%
TOTAL	$15,067,886,840	100.00%	37,108	100.00%

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

Assessed Valuation of Single-Family Homes. The following table shows the assessed valuation of single-family homes in the District for fiscal year 2013-14.

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
2013-14 Per Parcel Assessed Valuation of Single Family Homes

	No. of Parcels	2013-14 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	29,331	$9,909,965,077	$337,867	$325,348

2013-14 Assessed Valuation	No. of Parcels(1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	310	1.057%	1.057%	$13,460,180	0.136%	0.136%
$50,000 - $99,999	5,137	17.514	18.571	380,138,419	3.836	3.972
$100,000 - $149,999	2,060	7.023	25.594	254,681,774	2.570	6.542
$150,000 - $199,999	1,773	6.045	31.639	310,101,950	3.129	9.671
$200,000 - $249,999	1,943	6.624	38.263	436,629,608	4.406	14.077
$250,000 - $299,999	2,136	7.282	45.546	590,946,086	5.963	20.040
$300,000 - $349,999	2,450	8.353	53.899	794,857,656	8.021	28.061
$350,000 - $399,999	2,167	7.388	61.287	809,755,678	8.171	36.232
$400,000 - $449,999	1,890	6.444	67.730	803,295,969	8.106	44.338
$450,000 - $499,999	1,984	6.764	74.495	941,873,211	9.504	53.842
$500,000 - $549,999	2,493	8.500	82.994	1,306,720,594	13.186	67.028
$550,000 - $599,999	1,820	6.205	89.199	1,041,860,015	10.513	77.541
$600,000 - $649,999	1,290	4.398	93.597	802,122,068	8.094	85.635
$650,000 - $699,999	787	2.683	96.280	526,840,745	5.316	90.952
$700,000 - $749,999	402	1.371	97.651	290,011,025	2.926	93.878
$750,000 - $799,999	235	0.801	98.452	180,668,650	1.823	95.701
$800,000 - $849,999	172	0.586	99.039	140,615,224	1.419	97.120
$850,000 - $899,999	99	0.338	99.376	85,984,636	0.868	97.988
$900,000 - $949,999	53	0.181	99.557	48,702,208	0.491	98.479
$950,000 - $999,999	26	0.089	99.645	25,200,852	0.254	98.734
$1,000,000 and greater	104	0.355	100.000	125,498,529	1.266	100.000
Total	29,331	100.000%		$9,909,965,077	100.000%	

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

Largest Taxpayers in District. The twenty taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2013-14 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
Largest 2013-14 Local Secured Taxpayers

	Property Owner	Primary Land Use	2013-14 Assessed Valuation	Percent of Total[(1)]
1.	Daly City Serramonte Center LLC	Shopping Center	$183,596,349	1.22%
2.	Kimco Weslake LP	Shopping Center	156,142,412	1.04
3.	Myers Peninsula Venture LLC	Office Building	138,793,737	0.92
4.	Westlake Associates, Lessee	Apartments	124,351,219	0.83
5.	Oyster Point Properties Inc.	Undeveloped	104,439,637	0.69
6.	DB Real Estate Pacific Plaza Partnership	Office Building	86,054,399	0.57
7.	280 Metro LP	Shopping Center	68,543,847	0.45
8.	DCT Valley Drive CA LP	Industrial	60,261,421	0.40
9.	Century Theaters Inc., Lessee	Movie Theater	59,884,610	0.40
10.	IAC San Francisco LLC	Industrial	58,193,492	0.39
11.	WASL Daly City Investors V	Commercial	56,600,651	0.38
12.	FPA BAF Lands End Associates LP	Apartments	47,656,274	0.32
13.	2000 Sierra Point Parkway LLC	Office Building	42,954,531	0.29
14.	Slough Brisbane LLC	Undeveloped	42,453,257	0.28
15.	EQR Hillside LP	Apartments	40,364,220	0.27
16.	Daly Skyline Associates LLC	Apartments	39,574,436	0.26
17.	William D. and C.A. Spencer, Trustees	Industrial	38,963,130	0.26
18.	Cole HD Colma CA LP	Commercial	38,441,763	0.26
19.	EQR-La Terrazza Cola St. LP, Lessee	Apartments	35,396,019	0.23
20.	Linda Mar SC LP	Shopping Center	32,905,851	0.22
			$1,455,571,255	9.66%

(1) 2013-14 local secured assessed valuation: $15,067,886,840.
Source: California Municipal Statistics, Inc.

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. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control.

Tax Rates

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

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

Typical Tax Rate Area. The following table shows *ad valorem* property tax rates for the last five fiscal years in a typical Tax Rate Area of the District (TRA 5-001). TRA 5-001 comprises approximately 17.06% of the total fiscal year 2013-14 assessed value of the District.

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
Typical Total Tax Rate per $100 of Assessed Valuation (TRA 5-001)
Fiscal Years 2009-10 Through 2013-14

	2009-10	2010-11	2011-12	2012-13	2013-14
General Tax Rate	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Jefferson School District Bonds	0.0389	0.0399	0.0407	0.0316	0.0713
Jefferson High School District Bonds	0.0360	0.0416	0.0422	0.0430	0.0574
San Mateo Community College District Bonds	0.0182	0.0193	0.0199	0.0194	0.0194
Total Tax Rate	1.0931%	1.1008%	1.1028%	1.0940%	1.1481%

Source: California Municipal Statistics, Inc.

Tax Charges and Delinquencies

A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory scheme enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Refunding Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The County Treasurer and tax collector prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a $40 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a $15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the County Treasurer.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the County Treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the County, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The County Treasurer may also bring a civil suit against the taxpayer for payment. The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

Teeter Plan. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 and following of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the County, including the District, receives the full amount of uncollected taxes credited to its fund (including delinquent taxes, if any), in the same manner as if the full amount due from taxpayers had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. The County applies the Teeter Plan to taxes levied for repayment of school district bonds.

The Teeter Plan is to remain in effect unless the County Board of Supervisors 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 from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency.

Notwithstanding that the County is on the Teeter Plan, below is information regarding historical secured tax charges and delinquencies with the respect to the levy for debt service on bonds.

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2008-09 Through 2012-13

Fiscal Year	Secured Tax Charge[1]	Amount Delinquent June 30	Delinquent June 30
2008-09	$4,706,913.55	$203,944.78	4.33%
2009-10	4,978,599.23	135,500.14	2.72
2010-11	5,752,861.49	117,460.26	2.04
2011-12	5,886,356.26	98,745.72	1.68
2012-13	6,098,443.07	62,820.01	1.00

(1) Debt service levy only.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective August 1, 2014. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The schedule generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. 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.

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
Statement of Direct and Overlapping Bonded Debt

2013-14 Assessed Valuation: $10,142,427,304

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Applicable	Debt 8/1/14
San Mateo Community College District	9.909%	$55,794,606
Jefferson Union High School District	100.000	145,247,964[1]
Brisbane School District	100.000	6,855,437
Jefferson School District	100.000	61,045,000
Laguna Salada Union School District	100.000	14,395,337
City 1915 Act Bonds	75.784-100.000	5,217,605
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$288,555,949
OVERLAPPING GENERAL FUND DEBT:		
San Mateo County Certificates of Participation	9.909%	$45,587,823
San Mateo County Board of Education Certificates of Participation	9.909	1,085,036
San Mateo County Flood Control District Certificates of Participation	22.939	4,916,975
City of Brisbane Certificates of Participation and Pension Obligations	100.000	26,770,000
City of Colma Certificates of Participation	92.082	10,778,198
City of Daly City Pension Obligations	85.522	24,271,144
City of Pacifica Certificates of Participation and Pension Obligations	100.000	33,075,000
TOTAL OVERLAPPING GENERAL FUND DEBT		$146,484,176
OVERLAPPING TAX INCREMENT DEBT:		
Brisbane Community Redevelopment Agency Project Areas 1 and 2	100.000%	$13,864,922
Pacifica Redevelopment Agency Rockaway Beach Project Area		1,360,000
TOTAL OVERLAPPING TAX INCREMENT DEBT		$15,224,922
COMBINED TOTAL DEBT		$450,265,047[2]

(1) Excludes Refunding Bonds described herein, but includes the Prior Bonds to be refunded; excludes accreted interest.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2013-14 Assessed Valuation:
Direct Debt ($145,247,964) 0.93%
Total Direct and Overlapping Tax and Assessment Debt 1.85%
Combined Total Debt.. 2.89%

Ratios to Redevelopment Incremental Valuation ($1,154,912,569):
Total Overlapping Tax Increment Debt 1.332%

Source: California Municipal Statistics, Inc.

POSSIBLE BOND INSURANCE

The District may obtain a municipal bond insurance policy (the "Policy") from Build America Mutual Assurance Company pursuant to a commitment that has been issued by BAM to the District. The policy, if obtained, would guarantee the scheduled payment of principal of and interest on the Refunding Bonds covered thereby, as more fully described below. No assurance can be given as to (a) whether the District will decide to obtain the Policy from BAM in connection with the issuance of the Refunding Bonds, or (b) whether the District will insure all or less than all of the Refunding Bonds. The decision as to whether or not the Policy will be obtained from BAM with respect to all or a portion of the Refunding Bonds will be made at or about the time of the pricing of the Refunding Bonds and will be based upon, among other things, market conditions existing at such time. If the District does decide to obtain the Policy from BAM, it will be a condition to the issuance of the Refunding Bonds that such policy be issued concurrently with the issuance of the Refunding Bonds. Any such Refunding Bonds that are so insured are hereinafter referred to as the "Insured Bonds."

There follows under this caption certain information concerning the terms of the Policy and BAM that has been supplied by BAM for inclusion in this Preliminary Official Statement. No representation is made by the District as to the accuracy, completeness or adequacy of such information, nor as to the absence of material adverse changes in such information subsequent to the date of this Preliminary Official Statement. The District has not made any independent investigation of BAM or the Policy, and reference is made to the information set forth below and in Appendix G hereto for a description thereof.

The following information and the specimen of the Policy attached as Appendix G hereto have been furnished by BAM for use in this Preliminary Official Statement.

Bond Insurance Policy

Concurrently with the issuance of the Refunding Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Refunding Bonds maturing on August 1 of the years _____ through _____, inclusive (collectively, the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 1 World Financial Center, 27th Floor, 200 Liberty Street, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Insured Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Insured Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Insured Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Insured Bonds, nor does it guarantee that the rating on the Insured Bonds will not be revised or withdrawn.

Capitalization of BAM.

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2014 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $477.8 million, $17.9 million and $459.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Refunding Bonds or the advisability of investing in the Refunding Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "POSSIBLE BOND INSURANCE" and in APPENDIX G – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Additional Information Available from BAM.

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/.

Obligor Disclosure Briefs. Subsequent to closing, BAM posts an Obligor Disclosure Brief on every issue insured by BAM, including the Insured Bonds. BAM Obligor Disclosure Briefs provide information about the gross par insured by CUSIP, maturity and coupon; sector designation (e.g. general obligation, sales tax); a summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. The Obligor Disclosure Briefs are also easily accessible on BAM's website at buildamerica.com/obligor/.

Disclaimers. The Obligor Disclosure Briefs and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Obligor Disclosure Briefs and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Obligor Disclosure Briefs and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Refunding Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Refunding Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Refunding Bonds, whether at the initial offering or otherwise

TAX MATTERS

Federal Tax Status. In the opinion of Bond Counsel, subject, however to certain qualifications set forth below, under existing law, the interest on the Series 2014A Refunding Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Tax Code”) that must be satisfied subsequent to the issuance of the Series 2014A Refunding Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2014A Refunding Bonds.

Interest on the Series 2014B Refunding Bonds is not excludable from gross income for federal income tax purposes and therefore is subject to federal income taxation.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a Series 2014A Refunding Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Series 2014A Refunding Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Series 2014A Refunding Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Series 2014A Refunding Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Series 2014A Refunding Bonds who purchase the Series 2014A Refunding Bonds after the initial offering of a substantial amount of such maturity. Owners of such Series 2014A Refunding Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2014A Refunding Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Series 2014A Refunding Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Series 2014A Refunding Bond (said term being the shorter of the bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Series 2014A Refunding Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Series 2014A Refunding Bond is amortized each year over the term to maturity of the bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium Series 2014A Refunding Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Series 2014A Refunding Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the Series 2014A Refunding Bonds and the Series 2014B Refunding Bonds is exempt from California personal income taxes.

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

Possible Recognition of Taxable Gain or Loss upon Defeasance of the Series 2014B Refunding Bonds. Defeasance of any Series 2014B Refunding Bonds may result in a reissuance thereof, in which even a holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the Series 2014B Refunding Bonds.

Form of Opinion. A copy of the proposed forms of opinion of Bond Counsel with respect to the Series 2014A Refunding Bonds and the Series 2014B Refunding Bonds are attached hereto as Appendix C.

OTHER LEGAL MATTERS

Legal Opinions

The validity of the Refunding Bonds and certain other legal matters are subject to the approving opinion of Jones Hall, A Professional Law Corporation, Bond Counsel. Bond Counsel expects to deliver opinions at the time of issuance of the Refunding Bonds substantially in the respective forms set forth in Appendix C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Irvine, California.

Legality for Investment in California

Under the provisions of the California Financial Code, the Refunding Bonds are legal investments for commercial banks in California to the extent that the Refunding 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, the Refunding Bonds are eligible securities for deposit of public moneys in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Refunding Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2013-14 fiscal year (which is due no later than March 31, 2015) and notice of the occurrence of certain enumerated events ("Notice Events") in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D − "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). A review of the District's compliance with its previously continuing disclosure undertakings was conducted in September 2014, and it was found that, in the preceding five years, the District did not file its financial statements for fiscal year 2009-10 in connection with its undertaking to provide continuing disclosure for its Series 2006B Bonds, and the District did not file notices of certain rating changes of the bond insurer for its Series 2000A Refunding Bonds in connection with its undertakings to provide continuing disclosure for its Series 2000A Bonds. Such financial statements for fiscal year 2009-10 and such notices of ratings changes have since been filed. The District believes that it is now current in all of its required filings with respect to its previous continuing disclosure undertakings.

No Litigation

No litigation is pending or threatened concerning or contesting the validity of the Refunding Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Refunding Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Refunding Bonds or District or County officials who will sign certifications relating to the Refunding Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriters at the time of the original delivery of the Refunding Bonds.

The District is routinely subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

ESCROW VERIFICATION

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriters relating to the computation of the projected payments of principal and interest to retire the Refunded Bonds to be refunded will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the "Verification Agent"). Such computations will be based solely on assumptions and information supplied by the District and the Underwriters. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

MISCELLANEOUS

Ratings

Standard & Poor's Rating Services ("S&P") has assigned its rating of "A+" to the Refunding Bonds. Rating agencies generally base their ratings on their own investigations, studies and assumptions. The rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of such rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Refunding Bonds. There is no assurance that any rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Refunding Bonds. Neither the Underwriters nor the District has undertaken any responsibility after the offering of the Refunding Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

In connection with the issuance of the Refunding Bonds, the District may obtain the Policy from BAM pursuant to a commitment that has been issued by it to the District. The Policy, if obtained, would guarantee the scheduled payment of principal of and interest on the Refunding Bonds covered thereby, as more fully described herein. See "POSSIBLE BOND INSURANCE." No assurance can be given as to (a) whether the District will decide to obtain the Policy from BAM in connection with the issuance of the Refunding Bonds, or (b) whether the District will insure all or less than all of the Refunding Bonds. The decision as to whether or not the Policy will be obtained from BAM with respect to all or a portion of the Refunding Bonds will be made at or about the time of the pricing of the Refunding Bonds and will be based upon, among other things, market conditions existing at such time. If the District does decide to obtain the Policy from BAM, the Insured Bonds are expected to be rated "AA" by S&P. Such rating is expected to be assigned solely as a result of the issuance of the Policy and would reflect only the rating agency's views of the claims-paying ability and financial strength of BAM. The Underwriters and the District have not made any independent investigation of the claims-paying ability of BAM and no representation is made that any insured rating of the Insured Bonds based upon the purchase of the Policy will remain higher than the rating agency's underlying rating of the Refunding Bonds described above, which did not take bond insurance into account. The existence of the Policy will not, of itself, negatively affect such underlying rating. Without regard to any bond insurance, the Refunding Bonds are payable from the proceeds of an *ad valorem* tax approved by the voters of the District pursuant to all applicable laws and constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal of and interest on the Refunding Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS." However, any downward revision or withdrawal of any rating of BAM may have an adverse effect on the market price or marketability of the Insured Bonds.

Professionals Involved in the Offering

Jones Hall, A Professional Law Corporation is acting as Bond Counsel with respect to the Refunding Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Refunding Bonds. Orrick, Herrington & Sutcliffe LLP is acting as Underwriters' Counsel with respect to the Refunding Bonds. Dale Scott & Company Inc., is acting as the District's financial advisor with respect to the Refunding Bonds. Payment of the fees and expenses of Underwriters' Counsel and the Financial Advisor is also contingent upon the sale and delivery of the Refunding Bonds. From time to time, Bond Counsel represents the Underwriters on matters unrelated to the Refunding Bonds.

Underwriting

The Refunding Bonds are being purchased for reoffering to the public by Raymond James & Associates, Inc., on its own behalf and as representative of Barclays Capital Inc. (the "Underwriters"), pursuant to the terms of a bond purchase agreement executed on __________, 2014, by and between the Underwriters and the District (the "Purchase Contract"). The Underwriters have agreed to purchase the Series 2014A Refunding Bonds at a price of $__________ and the Series 2014B Refunding Bonds at a price of $__________. The Purchase Contract provides that the Underwriters will purchase all of the Refunding Bonds, subject to certain terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel.

The Underwriters may offer and sell the Refunding Bonds to certain dealers and others at prices lower than the public offering prices shown on the inside front cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriters.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Refunding Bonds. Quotations from and summaries and explanations of the Refunding Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

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

The District has duly authorized the delivery of this Official Statement.

JEFFERSON UNION HIGH SCHOOL DISTRICT

By:______________________________________
Superintendent

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APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

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

THE DISTRICT

Introduction

The District, located south of San Francisco, is comprised of approximately 35 square miles located in the cities of Daly City, Colma, Brisbane and Pacifica. Currently, the District operates five high schools, as follows: Jefferson High School, Terra Nova High School, Thornton High School, Westmoor High School and Oceana High School. In addition, the District maintains one adult education facility. Enrollment for fiscal year 2013-14 was estimated at approximately 4,700 students, and for fiscal year 2014-15 is projected to be approximately 4,750 students.

Board of Trustees

The District operates under the jurisdiction of the San Mateo County Superintendent of Schools, who has certain supervisory powers with respect to District budgets. The District is governed by a seven-member Governing Board, each member of which is elected to a four-year term. Elections for positions to the Governing Board are held every two years, alternating between two and three available positions. The name, office and the month and year of the expiration of the term of each member of the Board is described below.

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
Board of Trustees

Name	Office	Term Expires
Kalimah Salahuddin	President	November, 2016
Jeanne L. Matysiak	Vice President	November, 2016
Katherine Zarate Dulany	Clerk	November, 2014
Thomas A. Nuris	Member	November, 2014
Rosie Tejada	Member	November, 2014

Superintendent and Financial and Fiscal Administrative Personnel

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. The District's day-to-day operations are managed by a board-appointed Superintendent of Schools. Mr. Thomas Minshew was appointed Superintendent in 2011. Information concerning the Superintendent and certain other key administrative personnel is set forth below.

Dr. Thomas Minshew, Superintendent. Dr. Minshew assumed the role of Superintendent of the District in 2011. Prior to that time, he served as principal of Terra Nova High School, his alma mater. He has worked as an educator in the District for over 18 years.

Steven Fuentes, Associate Superintendent of Business Services. Mr. Fuentes assumed the role of Associate Superintendent of Business Services in 2004. Prior to his role as Associate Superintendent of Business Services, Mr. Fuentes served in similar roles in other school districts in the County since 1985.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution. In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District budgeted to receive approximately 80% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* tax), budgeted at approximately $36.6 million in fiscal year 2014-15. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the State Legislature for passage. However, on November 2, 2010, the State's voters approved Proposition 25, which amended the State Constitution to lower the vote requirement necessary for each house of the State Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two–thirds to a simple majority (50% plus one) of each house of the State Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the State Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two–thirds vote of the State Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2014-15 State budget on June 20, 2014.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of White v. Davis (also referred to as Jarvis v. Connell), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the White v. Davis decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the White v. Davis decision to have any long-term effect on its operating budgets.

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

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

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment

Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal year 2004-2005, fiscal year 2010-2011, fiscal year 2011-2012 and fiscal year 2012-13; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Refunding Bonds, and the District takes no responsibility for informing owners of the Refunding Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, **www.dof.ca.gov,** under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at **www.lao.ca.gov**. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, **www.treasurer.ca.gov.** The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Local Control Funding Formula. The State budget for fiscal year 2013-14 contained a new formula for funding the school finance system (the "Local Control Funding Formula" or "LCFF"). The LCFF replaced the revenue limit funding system and most categorical programs. See "– Allocation of State Funding to School Districts; Local Control Funding Formula" herein for more information.

2014-15 State Budget. The Governor signed the fiscal year 2014-15 State budget (the "2014-15 State Budget") on June 20, 2014. The 2014-15 State Budget represents a multiyear plan that is balanced and that continues to focus on paying down budgetary debt from prior years, setting aside reserves and implementing a funding plan for the State Teachers' Retirement System ("CalSTRS"). The 2014-15 State Budget provides for $109.4 billion in revenues and transfers for fiscal year 2014-15 (which amount includes a $3.9 billion prior year general fund balance from fiscal year 2013-14), $108.0 billion in expenditures and a balance of $450 million in the general fund traditional reserve and $1.6 billion in a rainy day fund (the "Rainy Day Fund"). Revenues and expenditures for fiscal year 2013-14, as revised under the 2014-15 State Budget, were $104.6 billion (which amount includes a $2.4 billion prior year general fund balance from fiscal year 2012-13) and $100.7 billion, respectively.

The 2014-15 State Budget projects that budgetary debt, which was approximately $35 billion at the end of fiscal year 2010-11 and $26 billion at the end of fiscal year 2013-14, will be eliminated by the end of fiscal year 2017-18. For fiscal year 2014-15, specifically, the 2014-15 State Budget dedicates to paying down more than $10 billion of budgetary debt, including approximately $5 billion to pay down the deferral of payments to schools.

As it relates to K-12 education, the 2014-15 State Budget provides total funding of $76.6 billion ($45.3 billion general fund and $31.3 billion other funds). The 2014-15 State Budget provides Proposition

98 funding for all K-14 education of $60.9 billion for fiscal year 2014-15. Such amount, when combined with an aggregate increase of $4.4 billion from fiscal years 2012-13 and 2013-14 provided for in the 2014-15 State Budget, results in an increase of $10 billion in funding for K-14 education. The 2014-15 State Budget notes that Proposition 98 funding for K-12 education has grown by more than $12 billion from fiscal year 2011-12 to fiscal year 2014-15, representing an increase of more than $1,900 per student.

Certain budget adjustments for K-12 programs include the following:

- Local Control Funding Formula. An increase of $4.75 billion in Proposition 98 general funds to continue the State's transition to the Local Control Funding Formula. This formula commits most new funding to districts serving English language learners, students from low-income families, and youth in foster care. This increase will close the remaining funding implementation gap by more than 29%. Additionally, the 2014-15 State Budget addresses an administrative problem related to the collection of income eligibility forms that are used to determine student eligibility for free or reduced-price meals.

- K-12 Deferrals. The 2014-15 State Budget repays nearly $4.7 billion in Proposition 98 general funds for K-12 expenses that had been deferred from one year to the next during the economic downturn, leaving an outstanding balance of less than $900 million in K-12 deferrals. Further, the 2014-15 State Budget includes a trigger mechanism that will appropriate any additional funding resources attributable to the 2013-14 and 2014-15 fiscal years subsequent to the enactment of the 2014-15 State Budget for the purpose of retiring this remaining deferral balance.

- Independent Study. The 2014-15 State Budget streamlines the existing independent study program, reducing administrative burdens and freeing up time for teachers to spend on student instruction and support, while making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.

- K-12 Mandates. An increase of $400.5 million in one-time Proposition 98 general funds to reimburse K-12 local educational agencies for the costs of State-mandated programs. These funds will make a significant down payment on outstanding mandate debt, while providing school districts, county offices of education and charter schools with discretionary resources to support critical investments such as Common Core implementation.

- K-12 High-Speed Internet Access. An increase of $26.7 million in one-time Proposition 98 general funds for the K-12 High Speed Network to provide technical assistance and grants to local educational agencies to address the technology requirements necessary for successful Common Core implementation. Based on an assessment by the K-12 High Speed Network, these funds will be targeted to those local educational agencies most in need of help with securing required internet connectivity and infrastructure to implement the new computer adaptive tests under Common Core.

- Career Technical Education Pathways Program. An increase of $250 million in one-time Proposition 98 general funds to support a second cohort of competitive grants for participating K-14 local educational agencies. Established in the State Budget Act for fiscal year 2012-13, the Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools, and community colleges.

Rainy Day Fund. The 2014-15 State Budget proposes certain constitutional amendments to the Rainy Day Fund that will be on the November 2014 ballot. If approved by the voters, the constitutional amendments would (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues (and the 2014-15 State Budget notes that capital gains revenues are expected to account for approximately 9.8% of general fund revenues in fiscal year 2014-15); (ii) set the maximize size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year's deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year's deposit to be saved and the remainder use for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the Public School System Stabilization Account) to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

SB 858. As part of the 2014-15 State Budget, the Governor signed Senate Bill 858 ("SB 858") which includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Such provisions, however, would only become effective upon the State voters approval of the constitutional amendments relating to the Rainy Day Fund described above. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Public School System Stabilization Account, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an Average Daily Attendance ("A.D.A.") of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an A.D.A. that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The District, which has an A.D.A. of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. The District's original adopted budget for fiscal year 2014-15 projected total expenditures and other financing uses of approximately $46.4 million, 3% of which is approximately $1.4 million. The estimated maximum amount permitted under SB 858 in fiscal year 2014-15, if SB 848 were in effect for such fiscal year, would be approximately $2.8 million. The District's original adopted budget for fiscal year 2014-15 projected a combined assigned and unassigned ending fund balance of approximately $1.8 million, which is approximately $1.0 million less than the maximum that would be permitted under SB 858 if SB 858 were in effect.

The District cannot provide any assurances that the constitutional amendments related to the Rainy Day Fund will be approved by the State voters. The District does not expect SB 858, if approved and operative, to adversely affect its ability to pay the principal of and interest on the Refunding Bonds as and when due.

AB 1469. As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implements a new funding strategy for CalSTRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. See "– Retirement Benefits – *CalSTRS*" herein for more information about CalSTRS and AB 1469.

The complete 2014-15 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 therein, and such information is not incorporated herein by such reference.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and community college districts through a local Educational Revenue Augmentation Fund (ERAF) in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see "− Dissolution of Redevelopment Agencies" below). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Dissolution of Redevelopment Agencies. The adopted State budget for fiscal 2011-12, as signed by the Governor of the State on June 30, 2011, included as trailer bills Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") and Assembly Bill No. 27 (First Extraordinary Session) ("AB1X 27"), which the Governor signed on June 29, 2011. AB1X 26 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB1X 26 dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. Certain provisions of AB1X 26 are described further below.

In July of 2011, various parties filed an action before the Supreme Court of the State of California (the "Court") challenging the validity of AB1X 26 and AB1X 27 on various grounds (California Redevelopment Association v. Matosantos). On December 29, 2011, the Court rendered its decision in Matosantos upholding virtually all of AB1X 26 and invalidating AB1X 27. In its decision, the Court also modified various deadlines for the implementation of AB1X 26. The deadlines for implementation of AB1X 26 below take into account the modifications made by the Court in Matosantos.

On February 1, 2012, and pursuant to Matosantos, AB1X 26 dissolved all redevelopment agencies in existence and designated “successor agencies” and “oversight boards” to satisfy “enforceable obligations” of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency will be transferred to the control of its successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

AB1X 26 requires redevelopment agencies to continue to make scheduled payments on and perform obligations required under its “enforceable obligations.” For this purpose, AB1X 26 defines “enforceable obligations” to include “bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of outstanding bonds of the former redevelopment agency” and “any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy.” AB1X 26 specifies that only payments included on an “enforceable obligation payment schedule” adopted by a redevelopment agency shall be made by a redevelopment agency until its dissolution. However, until a successor agency adopts a “recognized obligation payment schedule” the only payments permitted to be made are payments on enforceable obligations included on an enforceable obligation payment schedule. A successor agency may amend the enforceable obligation payment schedule at any public meeting, subject to the approval of its oversight board.

Under AB1X 26, commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved will instead be deposited in a “redevelopment property tax trust fund” created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in AB1X 26. AB1X 26 generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 16 and June 1 (now each January 2 and June 1 pursuant to AB 1484, as described below) thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller’s administrative costs, in the following order of priority:

- To pay pass-through payments to affected taxing entities in the amounts that would have been owed had the former redevelopment agency not been dissolved; provided, however, that if a successor agency determines that insufficient funds will be available to make payments on the recognized obligation payment schedule and the county auditor-controller and State Controller verify such determination, pass-through payments that had previously been subordinated to debt service may be reduced;

- To the former redevelopment agency’s successor agency for payments listed on the successor agency’s recognized obligation payment schedule for the ensuing six-month period;

- To the former redevelopment agency’s successor agency for payment of administrative costs; and

- Any remaining balance to school entities and local taxing agencies.

It is possible that there will be additional legislation proposed and/or enacted to “clean up” various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB1X 26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a "tax claw back" provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This "tax claw back" provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District. Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

Future Budgets and Budgetary Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address any changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for K-12 education. The State budget will be affected by national and State economic conditions and other factors over which the District cannot predict and 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 in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District.

Allocation of State Funding to School Districts; Local Control Funding Formula

Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under California Education Code Section 42238 and following, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance. The base revenue limit was calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts." The District was a revenue limit district.

Beginning in fiscal year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes 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, students from low-income families and foster youth. The LCFF has an eight year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below. The LCFF includes the following components:

- A Base Grant for each local education agency, equivalent to $7,643 per unit of A.D.A. in fiscal year 2013-14. Such Base Grant per unit of A.D.A., adjusted by grade span variation and to be adjusted annually for cost-of-living, is as follows: $6,845 for grades K-3, $6,947 for grades 4-6, $7,154 for grades 7-8 and $8,289 for grades 9-12. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12.

- A 20% supplemental grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 22.5% of a local education agency's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the local education agency that comprise more than 55% of enrollment.

- An Economic Recovery Target (the "ERT") that is intended to ensure that almost every local education agency receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, local education agencies would receive the greater of the Base Grant or the ERT.

Of the projected $25 billion in new funding to be invested through the LCFF over the next eight years, the vast majority of new funding will be provided for Base Grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to Base Grants, 10 cents will go to supplemental grants and 6 cents will go to concentration grants.

Under the new formula, for "basic aid districts" (as described above), local property tax revenues would be used to offset up to the entire allocation under the new formula. However, "basic aid districts" would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

All school districts, county offices of education and charter schools are required to develop and adopt local control and accountability plans, which will identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement and school climate. Such local control and accountability plans are to be developed in accordance with a template to be provided by the State Board of Education. County superintendents will review and provide support to the school districts under their jurisdiction, while the Superintendent of Public Instruction will perform a corresponding role for county offices of education. The 2013-14 State Budget created the California Collaborate for Education Excellence (the "Collaborative") to advise and assist local education agencies in achieving the goals identified in their plans. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the Superintendent of Public Instruction would have authority to make changes to a local education agency's plan.

Attendance and Base Revenue Limit. The following table sets forth the District's actual A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal years 2010-11 through 2012-13 for grades 9-12. The A.D.A. and enrollment numbers reflected in the following table include special education.

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
Average Daily Attendance, Enrollment And Base Revenue Limit
Fiscal Years 2010-11 Through 2012-13

Fiscal Year	Average Daily Attendance[1]	Enrollment[2]	Base Revenue Limit Per Unit of A.D.A.
2010-11[3]	4,653	4,962	$7,353.39
2011-12[4]	4,682	4,969	7,517.29
2012-13[5]	4,575	4,870	7,517.39

(1) A.D.A. for the second period of attendance, typically in mid-April of each school year.
(2) Reflects enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS") in each school year.
(3) The District had a 17.963% base revenue limit deficit factor and a negative 0.39% cost of living adjustment in fiscal year 2010-11, which resulted in a funded base revenue limit of $6,032.50.
(4) The District had a 20.602% base revenue limit deficit factor and a 2.24% cost of living adjustment in fiscal year 2011-12, which resulted in a funded base revenue limit of $5,970.17.
(5) The District had a 22.272% base revenue limit deficit factor and a 3.243% cost of living adjustment in fiscal year 2012-13, which resulted in a funded base revenue limit of $6,094.56.
Source: Jefferson Union High School District Audited Financial Reports for fiscal years 2010-11 through 2012-13 for A.D.A.; Jefferson Union High School District for enrollment and base revenue limit.

Attendance and LCFF. The following table sets forth the District's estimated and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students")), and targeted Base Grant per unit of A.D.A. for fiscal years 2013-14 and 2014-15, respectively. The A.D.A. and enrollment numbers reflected in the following table include special education.

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
Average Daily Attendance, Enrollment And Targeted Base Grant
Fiscal Years 2013-14 Through 2014-15

		A.D.A./Base Grant		Enrollment[5]	
Fiscal Year		9-12	Total A.D.A.	Total Enrollment	Percent of EL/LI Students
2013-14[1]	A.D.A.[2]:	4,594	4,594	4,875	42%
	Targeted Base Grant[3]:	$8,638	--	--	--
2014-15[1]	A.D.A.[2]:	4,551	4,551	4,750	40%
	Targeted Base Grant[3][4]:	$8,712	--	--	--

(1) Figures are projections.
(2) A.D.A. for the second period of attendance, typically in mid-April of each school year.
(3) Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and do not include any supplemental and concentration grants under the LCFF. Such amounts are not expected to be fully funded in fiscal years 2013-14 and 2014-15.
(4) Targeted fiscal year 2014-15 Base Grant amounts reflect a 0.85% cost of living adjustment.
(5) Reflects enrollment as of October report submitted to the CBEDS in each school year. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI Students will be expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI Students enrollment will be based on the two-year average of EL/LI Students enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI Students will be based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
Source: Jefferson Union High School District.

The District projects that it will receive approximately $36.2 million in aggregate revenues allocated under the LCFF in fiscal year 2013-14, and has budgeted to receive approximately $37.3 million in aggregate revenues under the LCFF in fiscal year 2014-15 (or approximately 82.1% of its general fund revenues in fiscal year 2014-15). Such amount includes supplemental grants projected to be $3.2 million in fiscal year 2014-15. The District does not currently qualify for concentration grants.

Local Sources of Education Funding

The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State aid, and received only its special categorical aid which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts." School districts that received some State aid were commonly referred to as "revenue limit districts." The District was a revenue limit district.

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, "basic aid districts" would continue to receive the same level of State aid as allotted in fiscal year 2012-13. See *"−Allocation of State Funding to School Districts: Local Control Funding Formula"* herein for more information about the LCFF.

Local property tax revenues account for approximately 5.7% of the District's aggregate revenues allocated under the LCFF, and are budgeted to be $2.1 million, or 4.7% of total general fund revenues in fiscal year 2014-15.

For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below.

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 2.8% (or approximately $1.3 million) of the District's general fund budgeted revenues for fiscal year 2014-15.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, the District receives other State revenues which comprise approximately 2.9% (or approximately $1.3 million) of the District's general fund budgeted revenues for fiscal year 2014-15. A significant portion of such other State revenues are amounts the District expects to receive from State lottery funds, most of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is budgeted at $698,692 for fiscal year 2014-15.

Other Local Revenues (Parcel Tax). In addition to *ad valorem* property taxes, the District receives additional local revenues from items such as a parcel tax, interest earnings and other local sources. Other local revenues comprise approximately 12.09% (or approximately $5.5 million) of the District's general fund budgeted revenues for fiscal year 2014-15.

On June 5, 2012, voters in the District approved a parcel tax of $48 annually per parcel for four years, expiring June 30, 2016 (the "Measure Y Parcel Tax"). The Measure Y Parcel Tax is budgeted to guarantee $1,675,000 in fiscal year 2014-15. Prior to receiving voter approval for the Measure Y Parcel Tax, the District had previously tried to receive voter approval for a parcel tax on two separate occasions (once in 2010 and again in 2011), but such previous attempts were unsuccessful. The District cannot provide any assurance that voters would approve of an extension of the Measure Y Parcel Tax or approval of a new parcel tax after the Measure Y Parcel Tax expires.

In April 1985, the District leased for 99 years, until March 31, 2084, two lots (Lot 2B and Lot 4) that comprise a former school site to a commercial real estate developer, Southwest Diversified. Under the terms of the leases, the District annually receives a fixed amount, plus increases that take into account the annual change in the consumer price index. In fiscal year 2012-13, the District received a total of $62,154 in lease revenues from Southwest Diversified.

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the California Education Code (the "Charter School Law"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education or the State Board of Education. A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are to (a) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system, (b) hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability, and (c) provide competition within the public school system to stimulate improvements in all public schools.

There is currently one charter school operating within the territory of the District. Such charter school is an independent charter school serving grades K-12. Enrollment at such charter school was approximately 800 students in fiscal year 2012-13. The District can make no representation as to whether enrollment at such charter school may increase at the expense of District enrollment in future years, whether additional charter schools will be established within the territory of the District, or as to the impact these or other charter school developments may have on the District's A.D.A. or finances in future years.

Significant Accounting Policies and Audited Financial Reports

The 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 Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2013, which are included as Appendix B.

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. The following tables contain data abstracted from financial statements prepared by the District's independent auditor, Vargas and Company, Certified Public Accountants, San Jose, California, for fiscal years 2008-09 through 2012-13.

Vargas and Company, Certified Public Accountants, have not been requested to consent to the use or to the inclusion of their reports in this Official Statement, and they have not audited or reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The following tables show the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2008-09 through 2012-13.

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2008-09 through 2012-13

	2008-09 Actuals	2009-10 Actuals	2010-11 Actuals	2011-12 Actuals	2012-13 Actuals
REVENUES					
Revenue limit sources					
State apportionments	$13,252,866	$375,199	$10,226,416	$(323,012)	$958,900
Local sources	18,812,857	29,347,883	18,350,759	30,870,479	31,752,997
Revenue limit transfers	2,612,828	2,351,045	2,509,151	2,375,225	2,373,503
Total revenue limit	34,678,551	32,074,127	31,083,326	32,922,692	35,085,400
Federal	5,258,085	4,085,388	3,532,547	1,897,580	1,600,968
Other state	4,851,436	4,083,125	6,034,899	5,750,296	4,496,909
Other local[(1)]	4,070,533	4,341,002	4,121,083	4,432,997	4,301,145
Total Revenues	48,858,605	44,583,642	44,774,855	45,003,565	45,484,422
EXPENDITURES					
Instruction	26,977,120	25,213,309	24,215,449	24,108,747	24,425,982
Instruction-related services	4,489,796	4,171,030	3,858,371	3,826,696	4,082,347
Pupil services	4,956,879	4,696,619	4,231,735	4,225,543	4,410,267
Ancillary services	522,822	486,969	499,311	480,334	526,891
General administration	2,571,022	2,785,873	3,083,836	2,750,113	2,687,134
Plant services	5,772,632	5,495,028	5,655,244	5,917,576	6,656,077
Other outgo	1,311,556	1,413,973	1,343,905	1,452,754	1,471,542
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	46,601,827	44,262,801	42,887,851	42,761,763	44,260,240
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,256,778	320,841	1,887,004	2,241,802	1,224,182
OTHER FINANCING SOURCES (USES)					
Operating transfer in	-	-	-	-	-
Operating transfers out	(140,000)	(890,000)	(1,310,159)	(1,125,000)	(1,050,000)
Total other financing sources (uses)	(140,000)	(890,000)	(1,310,159)	(1,125,000)	(1,050,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	2,116,778	(569,159)	576,845	1,116,802	174,182
Fund Balances, July 1	8,269,360	10,386,138	10,530,666	11,107,511	12,224,313
Fund Balances, June 30	$10,386,138	$9,816,979	$11,107,511	$12,224,313	$12,398,495

(1) Includes Measure Y Parcel Tax commencing in fiscal year 2012-13.
Source: Jefferson Union High School District Audited Financial Reports for fiscal years 2008-09 through 2012-13.

The following table shows the general fund balance sheet of the District for fiscal years 2008-09 through 2012-13.

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
Summary of General Fund Balance Sheet
Fiscal Years 2008-09 Through 2012-13

	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
Assets					
Cash in County treasury	$4,482,781	$12,264,800	$4,489,852	$16,122,575	$11,902,322
Cash on hand and in banks	25,000	25,000	25,000	25,000	25,000
Cash in revolving fund	4,000	4,000	4,000	4,000	4,000
Cash with fiscal agent	2,948,332	-	5,535	4,077	13,592
Investments	399,781	389,086	-	-	-
Accounts receivable	777,993	352,488	409,570	543,252	297,908
Due from grantor government	7,162,210	3,203,981	13,173,089	2,021,562	2,227,711
Due from other funds	290,600	248,456	309,394	289,756	292,486
Prepaid expenses	393,816	127,734	95,932	107,194	291,260
Total Assets	16,484,513	16,615,545	18,872,372	19,117,416	15,054,279
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	1,274,657	1,480,724	1,516,008	1,541,858	1,619,158
Due to grantor government	1,453,479	4,752,977	597,141	4,771,073	685,191
Due to other funds	1,024	2,608	5,000,293	-	-
Deferred revenue	429,215	562,257	651,419	580,172	351,435
Tax revenue anticipation notes	2,940,000	-	-	-	-
Total Liabilities	6,098,375	6,798,566	7,764,861	6,893,103	2,655,784
Fund Balances:[1]					
Nonspendable	-	-	99,932	111,194	295,260
Restricted	-	-	639,454	1,143,782	1,883,404
Committed	-	-	-	1,500,000	-
Assigned	-	-	4,147,141	4,159,468	3,686,859
Unassigned	-	-	6,220,984	5,309,869	6,532,972
Fund Balances					
Reserved					
Revolving fund	4,000	4,000	-	-	-
Prepaid expenditures	393,816	127,734	-	-	-
Legally restricted balance	3,069,300	569,298	-	-	-
Unreserved					
Designated					
Economic uncertainties	1,398,055	1,419,481	-	-	-
Programs and other	2,277,011	2,070,039	-	-	-
Undesignated reported in General fund	3,243,956	5,626,427	-	-	-
Total Fund Balances	10,386,138	9,816,979	11,107,511	12,224,313	12,398,495
Total Liabilities and Fund Balances	$16,484,513	$16,615,545	$18,872,372	$19,117,416	$15,054,279

[1] GASB 54, which became effective beginning in fiscal year 2010-11, caused the District to change its Fund Balance classifications from "Reserved" and "Unreserved" to "Nonspendable," "Restricted," "Committed," "Assigned" and "Unassigned." Had the classifications under GASB 54 been effective in previous fiscal years, the unaudited fund balances would have been as follows: for fiscal year 2008-09: Nonspendable $397,816, Restricted $3,069,300, Committed $0, Assigned $3,675,066 and Unassigned $3,243,956; and for fiscal year 2009-10: Nonspendable $131,734, Restricted $569,298, Committed $0, Assigned $3,489,500 and Unassigned $5,626,427.

Source: Jefferson Union High School District Audited Financial Reports for fiscal years 2008-09 through 2012-13.

District Budget Process and County Review

State law requires school districts to adopt a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the County of San Mateo Superintendent of Schools.

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

Subsequent to approval, the county superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the county superintendent determines that a district cannot meet its current or subsequent year's obligations, the county superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations, or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the county superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's governing board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the county superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent. In the last five years, the District has not received a qualified or negative certification in connection with its interim financial reports.

JEFFERSON UNION HIGH SCHOOL DISTRICT
(County of San Mateo, California)
General Fund Budgets for Fiscal Years 2012-13 Through 2014-15,
Unaudited Actuals for Fiscal Years 2012-13 and 2013-14

	2012-13 Original Adopted Budget	2012-13 Unaudited Actuals[1]	2013-14 Original Adopted Budget	2013-14 Unaudited Actuals	2014-15 Original Adopted Budget[2]
REVENUES					
Revenue Limit/LCFF Sources	$30,816,093.00	$35,085,399.61	$31,873,986.00	$36,236,795.86	$37,331,378.00
Federal Revenue	1,447,431.00	1,600,969.25	1,387,127.00	1,462,196.25	1,279,312.00
Other State Revenue	3,906,983.00	4,496,908.55	5,211,932.00	2,563,344.80	1,345,417.00
Other Local Revenue[3]	5,341,182.21	4,292,268.89	5,159,535.00	5,718,452.49	5,497,553.00
TOTAL REVENUES	41,511,689.21	45,475,546.30	43,632,580.00	45,980,789.40	45,453,660.00
EXPENDITURES					
Certificated Salaries	17,382,196.00	18,237,750.49	18,689,433.00	19,857,180.12	19,729,147.00
Classified Salaries	6,683,973.00	7,023,128.59	6,623,759.00	7,843,846.04	7,206,655.00
Employee Benefits	10,049,907.49	9,690,510.88	9,772,113.00	9,526,214.02	10,121,889.00
Books and Supplies	2,525,696.00	2,180,351.94	2,312,556.00	2,591,679.29	2,367,114.00
Services, Other Operating Expenses	5,403,989.00	5,653,893.45	5,938,014.00	6,270,715.44	5,991,718.00
Capital Outlay	75,000.00	30,112.59	-	147,064.70	8,000.00
Other Outgo (excluding Direct Support/Indirect Costs)	1,401,601.00	1,471,542.43	1,356,922.00	2,094,269.82	1,399,202.00
Other Outgo - Transfers of Indirect Costs	(7,377.00)	(27,050.29)	(9,594.00)	(23,585.60)	(6,303.00)
TOTAL EXPENDITURES	43,514,985.49	44,260,240.08	44,683,203.00	48,307,383.83	46,817,422.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,003,296.28)	1,215,306.22	(1,050,623.00)	(2,326,594.43)	(1,363,762.00)
OTHER FINANCING SOURCES (USES)					
Inter-fund Transfers In	-	-	-	-	-
Inter-fund Transfers Out	950,000.00	1,050,000.00	925,000.00	1,025,000.00	940,000.00
Other Sources (Uses)	-	-	-	-	-
Contributions	-	-	-	-	-
TOTAL, OTHER FINANCING SOURCES (USES)	(950,000.00)	(1,050,000.00)	(925,000.00)	(1,025,000.00)	(940,000.00)
NET INCREASE (DECREASE) IN FUND BALANCE	(2,953,296.28)	165,306.22	(1,975,623.00)	(3,351,594.43)	(2,303,762.00)
BEGINNING BALANCE, as of July 1	4,577,491.00	11,492,612.20	4,479,998.71	11,657,918.42	4,235,845.61
Audit Adjustments	-	-	-	-	-
As of July 1 – Audited	4,577,491.00	11,492,612.20	4,479,998.71	11,657,918.42	4,235,845.61
Other Restatements	-	-	-	-	-
Adjusted beginning Balance	4,577,491.00	11,492,612.20	4,479,998.71	11,657,918.42	4,235,845.61
ENDING BALANCE	$1,624,194.72	$11,657,918.42	$2,504,375.71	$8,306,323.99	$1,932,083.61

(1) Does not match the District's audited financial statements because the audited financial statements include amounts in the District's adult education deferred maintenance fund, which are not included in the District's internal financial reports.
(2) Figures are projections.
(3) Includes Measure Y Parcel Tax commencing in fiscal year 2012-13.
Source: Jefferson Union High School District Adopted general fund Budgets for fiscal years 2012-13, 2013-14 and 2014-15; unaudited actuals for fiscal years 2012-13 and 2013-14.

District Debt Structure

Long-Term Debt Summary. A schedule of the District's long-term obligations for the year ended June 30, 2013, consisted of the following:

Long-Term Debt	Balance June 30, 2012	Additions	Deductions/ Adjustments	Balance June 30, 2013	Due in One Year	Due Beyond One Year
Series 2000A Refunding Bonds	$16,575,000	-	$615,000	$15,960,000	$615,000	$15,300,000
Series 2005 Refunding Bonds	4,670,000	-	140,000	4,530,000	140,000	4,375,000
Series 2006A Bonds	46,350,000	-	1,260,000	45,090,000	1,360,000	43,730,000
Bond premium	467,164	-	23,555	443,609	23,555	420,054
Series 2006B Bonds	17,649,317	-	-	17,649,317	67,547	17,581,770
Accreted interest	2,667,075	$1,192,015	-	3,859,090	22,453	3,836,637
Bond premium	519,629	-	24,646	494,983	24,646	470,337
Series 2006C Bonds	12,000,000	-	430,000	11,570,000	495,000	11,075,000
Bond premium	472,579	-	33,556	439,023	33,556	405,467
Series 2006D Bonds[(1)]	14,999,737	-	-	14,999,737	-	14,999,737
Accreted interest	1,313,102	1,429,110	-	2,742,212	-	2,742,212
2011 Taxable BANs	4,860,000	-	-	4,860,000	-	4,860,000
Series 2012A Bonds	-	35,540,000	-	35,540,000	-	35,540,000
Bond Premium	-	1,364,433	9,378	1,355,055	56,265	1,298,790
Series 2012B Bonds	-	1,500,000	-	1,500,000	-	1,500,000
Compensated absences	298,658	62,557	-	361,215	-	361,215
Net OPEB Obligation	2,382,349	221,709	-	2,604,058	-	2,604,058
Total	$125,224,510	$41,309,824	$2,536,135	$163,998,299	$2,898,022	$151,100,277

[(1)] A portion of the Series 2006D Bonds are planned to be refunded with proceeds of the Refunding Bonds. See "THE REFUNDING BONDS – Outstanding Bonds; Plan of Finance" in the front portion of this Official Statement.
Source: Jefferson Union High School District Audited Financial Report for fiscal year 2012-13.

General Obligation Bonds. In addition to the Refunding Bonds, the District has eight additional outstanding series of bonds, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District, and a series of bond anticipation notes.

In March 30, 2000, the District issued its 2000 General Obligation Refunding Bonds, Series A in the aggregate principal amount of $22,060,000 (the "Series 2000A Refunding Bonds"). The proceeds of the Series 2000A Refunding Bonds were used to advance refund the District's General Obligation Bonds, Election 1995, Series A, Series B, Series C, and Series D.

On August 16, 2005 the Golden West Schools Financing Authority ("GWSFA") issued its 2005 General Obligation Revenue Bonds (Jefferson Union High School District Refunding) in the amount of $5,660,000 (the "GWSFA Bonds") to provide funds to advance refund the District's General Obligation Bonds, Election of 1995, Series E (the "Series 1995E Bonds"). Concurrently, the District issued its $5,045,000 aggregate principal amount of its 2005 General Obligation Refunding Bonds (the "Series 2005 Refunding Bonds") as replacement bonds, which are privately held bonds. The revenue from the Series 2005 Refunding Bonds is pledged to pay the principal of and interest on the GWSFA Bonds. The final maturity of both series of bonds is August 1, 2030.

On November 7, 2006, over 55% of the registered voters of the District received authorization to issue bonds of the District in an aggregate principal amount of $136,900,000 (the "2006 Authorization"). On May 9, 2007, the District issued its General Obligation Bonds, 2006 Election, Series A (the "Series 2006A Bonds") in the aggregate principal amount of $50,000,000, which was the District's first series of bonds to be issued under the 2006 Authorization. On July, 23, 2009, the District issued its General Obligation Bonds, Series 2006 Election, Series B (the "Series 2006B Bonds") in the aggregate initial principal amount of $17,998,936.60, which was the District's second series of bonds to be issued under the 2006 Authorization. On April 29, 2010, the District issued its General Obligation Bonds, 2006

Election, Series C (the "Series 2006C Bonds") in the aggregate principal amount of $12,000,000, which was the District's third series of bonds to be issued under the 2006 Authorization. On February 1, 2011, the District issued its General Obligation Bonds, 2006 Election, Series D (the "Series 2006D Bonds") in the aggregate initial principal amount of $14,999,736.85, and was the District's fourth series of bonds to be issued under the 2006 Authorization. On June 16, 2011, in anticipation of issuing additional bonds under the 2006 Authorization, the District issued its 2011 Taxable Bond Anticipation Notes (Direct-Pay Qualified School Construction Bonds) (the "Series 2011 BANs") in the aggregate principal amount of $4,860,000. The Series 2011 BANs mature on June 1, 2016.

On November 6, 2012, over 55% of the registered voters of the District received reauthorization to issue bonds of the District in an aggregate principal amount of $41,900,000 (the "2012 Reauthorization"). On May 9, 2013, the District issued $35,540,000 aggregate principal amount of its General Obligation Bonds, 2012 Election, Series A (GO Reauthorization Bonds) (the "Series 2012A Bonds") as its first series of bonds issued under the 2012 Reauthorization. On June 27, 2013, the District issued its 2012 General Obligation Ed-Tech Bonds, Series B (the "Series 2012B Bonds"), in the aggregate principal amount of $1,500,000 for the purpose of financing technology projects.

At the November 2014 election, the registered voters of the District will be voting on a proposition to authorize the District to issue bonds in an aggregate principal amount of $133,000,000. The District cannot make any representations as to whether the District's bond proposition will be approved by the voters at the November 2014 election.

See "THE REFUNDING BONDS – Outstanding Bonds; Plan of Finance" in the front portion of this Official Statement for more information on the bonds to be refunded with proceeds of the Refunding Bonds, and see "THE REFUNDING BONDS – Aggregate Debt Service" in the front portion of this Official Statement for the annual debt service requirements for the District's outstanding bonds.

Other Post-Employment Benefits. In addition to the retirement plan benefits with CalSTRS and the State Public Employees' Retirement System ("CalPERS") (see "– Retirement Benefits" below), the District provides certain post-retirement healthcare benefits, in accordance with District employment contracts. The District's health care plan (the "Plan") provides health benefits to all qualified employees who retire from the District on or after attaining age 55 (age 50 for school teachers with 30 of more years of service) with at least 10 years of service. Currently, 108 employees meet those eligibility requirements. Retirees receive benefits for lesser of seven years or age 70 if not Medicare eligible, or the lesser of 10 years or age 75 if Medicare eligible. Expenditures for post-employment benefits are recognized on a pay-as-you-go basis, as premiums are paid.

The Governmental Accounting Standards Board released its Statement Number 45 ("Statement Number 45"), which requires municipalities to account for other post-employment benefits (meaning other than pension benefits) ("OPEB") liabilities much like municipalities are required to account for pension benefits. The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis, which has been the practice for most municipalities and public sector organizations. OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. Statement Number 45 was phased in over a three-year period based upon the entity's revenues. Statement Number 45 became effective for the District beginning in fiscal year 2008-09.

The contribution requirement of plan members and the District are established under a funding policy approved by the District's Board of Trustees, and may be amended by the District from time to time. The District's funding policy is to contribute an amount sufficient to pay the current year's retiree claim costs and plan expenses. The District has not established an irrevocable trust to prefund its OPEB liability and no prefunding of benefits has been made. For fiscal years 2010-11, 2011-12 and 2012-13, the District contributed $2,232,499, $2,050,479 and $1,942,156, respectively to the Plan, including current claim costs and Plan expenses.

Total Compensation Systems, Inc., Westlake Village, California, has prepared an actuarial valuation covering the District's retiree health benefits and reports that, as of November 1, 2012, the District had an actuarial accrued liability of $19,919,856, a residual actuarial accrued liability of negative $158,443 and an unfunded actuarial accrued liability of $20,078,299, based on certain assumptions set forth in the actuarial valuation report (including 5.0% investment returns, 3.0% increase per year for inflation, and 3.0% increase per year for payroll increases). For more information regarding the actuarial valuation, the District's annual required contribution for fiscal year 2012-13 ($2,163,865) and the District's net OPEB obligation at June 30, 2013 ($2,604,058), as well as other basic assumptions upon which the valuation was based, see Note 11 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013."

Tax and Revenue Anticipation Notes. Tax and Revenue Anticipation Notes ("TRANS") are payable from revenues and cash receipts to be generated by the District. TRANs are issued by the District to supplement the District's cash flow when necessary. On July 3, 2014, the District issued $4,925,000 aggregate principal amount of TRANs through the California School Cash Reserve Program Authority, which TRANs mature on June 30, 2015. The District may issue TRANs or borrow funds in future fiscal years as and if necessary to supplement cash flow.

Employment

As of June 30, 2014, the District employed 631 employees, consisting of 367 certificated employees and 264 classified employees. For the year ended June 30, 2014, the total certificated and classified payrolls were approximately $19.86 million (unaudited) and $7.84 million (unaudited), respectively. For fiscal year 2014-15, the total certificated and classified payrolls are budgeted to be approximately $19.72 million and $7.21 million, respectively.

District employees are represented by employee bargaining units as follows:

Name of Bargaining Unit	Number of Employees Represented	Current Contract Expiration Date
American Federation of Teachers Local 1481	516	June 2015
Teamsters (Local 856)	24	June 2016

Source: Jefferson Union High School District.

Retirement Benefits

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees, and the State Public Employees' Retirement System, which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to CalSTRS are fixed in statute. In fiscal year 2013-14, teachers contributed 8% of salary to CalSTRS, while school districts contributed 8.25%. In addition to the teacher and school contributions, the State contributed 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

As of June 30, 2013, an actuarial valuation (the "2013 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of $74.4 billion, an increase of $3.4 billion from the June 30, 2012 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2013, June 30, 2012 and June 30, 2011, based on the actuarial assumptions, were approximately 67%, 67% and 69%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions. The following are certain of the actuarial assumptions set forth in the 2013 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," 7.50% investment rate of return, 4.50% interest on member accounts, 3.75% projected wage growth, and 3.00% projected inflation. The 2013 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "−Governor's Pension Reform" below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

As indicated above, there was no required contribution from teachers, schools districts or the State to fund the unfunded actuarial liability for the CalSTRS defined benefit program and only the State legislature can change contribution rates. The 2013 CalSTRS Actuarial Valuation noted that, as of June 30, 2013, the contribution rate, inclusive of contributions from the teachers, the school districts and the State, was equivalent to 19.497% over the next 30 years. The 2013 CalSTRS Actuarial Valuation provides that the contribution rate would need to have been raised by 13.382% to a total of 32.879% to amortize the unfunded liability over a 30-year period as of June 30, 2013.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 which implements a new funding strategy for CalSTRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate would increase by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions will also increase from 8.00% to a total of 10.25% of pay, phased in over the next three years. The State's total contribution will also increase from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to Assembly Bill 1469, school district's contribution rates will increase over a seven year phase in period in accordance with the following schedule:

Effective Date (July 1)	School District Contribution Rate
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	18.13
2020	19.10

Source: Assembly Bill 1469.

The District's total employer contributions from all funds to CalSTRS for fiscal years 2010-11, 2011-12, 2012-13 and 2013-14 were $1,484,503, $1,451,396, $1,501,922 and $1,588,863 (unaudited), respectively, and were equal to 100% of the required contributions for each year. The District budgeted total employer contributions to CalSTRS of $1,564,274 for fiscal year 2014-15. With the implementation of AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report and actuarial valuations may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

CalPERS. All qualifying classified employees of K-12 school districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS will not significantly increase in the future above current levels.

According to the CalPERS State and Schools Actuarial Valuation as of June 30, 2012, the CalPERS Schools plan had a funded ratio of 75.5% on a market value of assets basis. The funded ratio as of June 30, 2011, June 30, 2010, June 30, 2009 and June 30, 2008 was 78.7%, 69.5%, 65.0% and 93.8%, respectively. According to the actuarial valuation as of June 30, 2012, the latest decline in the funded ratio was because the investment return experienced by CalPERS in fiscal year 2011-12 was less than the assumed 7.5%. In June 2009, the CalPERS Board of Administration adopted a new employer rate smoothing methodology for local governments and school employer rates. It was designed to ease the impact of the investment losses which were then expected in fiscal year 2008-09 on affiliated public employers while strengthening the long-term financial health of the pension fund. Under such methodology, certain investment losses are amortized and paid off over a fixed and declining 30-year period instead of a rolling 30-year amortization period.

In March of 2012, the CalPERS Board of Administration adopted new economic actuarial assumptions to be used with the June 30, 2011 actuarial valuation; in particular, lowering the price inflation assumption from 3.00% to 2.75%. Lowering the price inflation assumption resulted in a reduced discount rate, which is the fund's assumed rate of return calculated based on expected price inflation and the expected real rate of return, from 7.75% to 7.5%. According to CalPERS, this reduction in the discount rate is anticipated to increase State and school district employer contributions for each fiscal year beginning in fiscal year 2012-13 by 1.2% to 1.6% for miscellaneous plans (which includes general office and others) and by 2.2% to 2.4% for safety plans beginning in fiscal year 2012-13. In April of 2013, the CalPERS Board of Administration approved changes to the CalPERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. Beginning with the June 30, 2013 actuarial valuation, CalPERS will employ a new amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period (as compared to the current policy of spreading investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period). Such changes, the implementation of which are delayed until fiscal year 2015-16 for the State, schools and all public agencies, are expected to increase contribution rates in the near term but lower contribution rates in the long term.

In February of 2014, the CalPERS Board of Administration adopted new actuarial demographic assumptions that take into account public employees living longer. Such assumptions are expected to increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. CalPERS estimates that the new demographic assumptions could cost public agency employers up to 9% of payroll for safety employees and up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that future experiences differ from CalPERS' current assumptions, the required employer contributions may vary.

The District's total employer contributions from all funds to CalPERS for fiscal years 2010-11, 2011-12, 2012-13 and 2013-14 were $759,193, $765,989, $827,748 and $833,659 (unaudited), respectively, and were equal to 100% of the required contributions for each year. The District budgeted total employer contributions to CalPERS of $754,965 for fiscal year 2014-15. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see "−*Governor's Pension Reform*" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

CalPERS produces a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information presented in these reports is not incorporated by reference in this Official Statement

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

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in Note 10 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013."

GASB 67 and 68. In June 2012, the Governmental Accounting Standards Board approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans ("Statement Number 67"), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions ("Statement Number 68"), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. Statement Number 67 replaces the current requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and Statement Number 27 replaces the current requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replace the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities are currently typically included as notes to the government's financial statements); (ii) full pension costs would be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates would be required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities would be required to be used for certain purposes of the financial statements, which generally would increase pension expenses. Statement Number 67 will take effect in fiscal years beginning after June 15, 2013, and Statement Number 68 will take effect in fiscal years beginning after June 15, 2014.

Risk Pooling, Joint Powers Agreements and Joint Ventures

The District participates in a joint powers agreement (JPA) with San Mateo County Schools Insurance Group, which arranges for and provides property, workers compensation, medical and liability insurance for its member school districts. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of its JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in each JPA. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

See Note 8 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013."

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) 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, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 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.

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIIIA. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

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 2% 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.

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

Article XIIIB of the California Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979, thereby adding Article XIIIB to the State Constitution ("Article XIIIB"). Under Article XIIIB state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain 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 appropriation 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.

The District's budgeted appropriations from "proceeds of taxes" (sometimes referred to as the "Gann limit") for the 2012-13 fiscal year are equal to the allowable limit of $34,147,056 and estimates an appropriations limit for the 2013-14 fiscal year of $35,504,125. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Article XIIIC and Article XIIID of the California Constitution

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Statutory Limitations

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in *Santa Clara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed State funding of public education below the university level, and the operation of the State's Appropriations Limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (collectively, "K-14 districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9%, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

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

The maximum amount of excess tax revenues which could be transferred to schools is 4% of the minimum State spending for education mandated by the Accountability Act, as described above.

On June 5, 1990, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 school districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts' minimum funding level), and that any such transfer to K-14 school districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 school districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 school districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

Applications of Constitutional and Statutory Provisions

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

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 62, 98, 111 and 218, 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.

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APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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JEFFERSON UNION HIGH SCHOOL DISTRICT
COUNTY OF SAN MATEO
DALY CITY, CALIFORNIA

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2013

Vargas and Company
certified public accountants

JEFFERSON UNION HIGH SCHOOL DISTRICT
June 30, 2013

Table of Contents

JEFFERSON UNION HIGH SCHOOL DISTRICT
June 30, 2013

Table of Contents

Financial Section

Vargas and Company
certified public accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Jefferson Union High School District
Daly City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Union High School District (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

601 North First Street / San Jose, California 95112 / (408) 298-1700 / Fax (408) 293-9598

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 Jefferson Union High School District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; schedule of revenues, expenditures, and changes in fund balances - budget and actual - general fund; and schedule of funding progress on pages 4-15; 48; and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson Union High School District's basic financial statements. The combining fund statements, and supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2013, on our consideration of the Jefferson Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson Union High School District's internal control over financial reporting and compliance.

Vargas and Company

Vargas and Company
San Jose, California
October 25, 2013

Management's Discussion and Analysis (MD&A) - <u>Required Supplementary Information</u>

JEFFERSON UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2013

An overview of the Jefferson Union High School District's (the "District") financial activities for the fiscal year ended June 30, 2013 is provided in this discussion and analysis of the District's financial performance.

This Management Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements (including notes and supplementary information).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statements of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term of the District's finances. Fund financial statements, for governmental activities, tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report he District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as trustee or agent for the benefit of those outside of the District.

Reporting the District as a Whole

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer these questions. These statements include *all* assets, deferred outflow, liabilities, and deferred inflow 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.

FINANCIAL HIGHLIGHTS

- The District's financial status has improved slightly during the fiscal year. Over the course of the year, there was a 4.3% increase in total net position or $805,847. Without the prior period adjustment of $6,683,650, the change in net position is a decrease of $5,877,803. This decrease is mostly attributable to depreciation expense and cost of issuing new debt.

- Expenses were $60,963,690. Revenues were $55,085,887.

- Enrollment in the District decreased by 2.3%. This caused a minor decrease in state funding.

- The District's net position at the close of the 2012-2013 fiscal year is $19,535,331. Of this amount, $6,716,377 (*unrestricted net position*) may be used to meet ongoing obligations to citizens and creditors, $46,668,516 is legally restricted (*restricted net position*), and negative $33,849,562 is net investment in capital assets.

- As of June 30, 2013 the District's governmental funds reported combined ending fund balances of \$58,009,921, an increase of \$36,697,229 in comparison with the prior year. Approximately 80% of the combined fund balances, \$46,668,516 is restricted; 11% or \$6,532,972 is unassigned; 8% or \$4,504,078 is assigned; and 1% or \$304,355 is nonspendable.

- At the end of the fiscal year, unassigned fund balance for the general funds was \$6,532,972 or 15% of the general funds total expenditures.

- The District's total long-term debt increased by \$38,773,689 in comparison with the prior year. The increase resulted primarily from the issuance of 2 bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

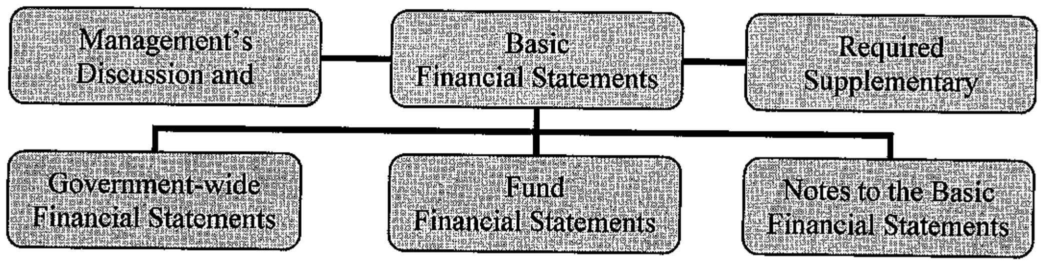
The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, Management Discussion and Analysis. The three sections together provide a comprehensive overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, the statement of net position and the statement of activities, provide both short term and long-term information about the District's overall financial position.

- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.

  - Basic services funding (i.e., regular and special education) is described in the governmental funds statements. These statements include short-term financing and balance remaining for future spending.
  - Normally, short and long-term financial information about the activities of the District that operate like businesses (such as food service or self-insurance funds) are provided in the proprietary funds statements. The District has no proprietary funds.
  - Financial relationships, for which the District acts solely as an agent or trustee, for the benefit of others to whom the resources belong, are presented in the fiduciary fund statements.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements. A comparison of the District's general fund budget for the year is included. The combining fund statements are presented to show the individual fund data for each nonmajor governmental.



Government-wide Financial Statements

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

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

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.

- Additional non-financial factors such as condition of school buildings and other facilities, and changes in the property tax base of the District, need to be considered in assessing the overall health of the District.

The Statement of Net Position and the Statement of Activities are normally divided into two kinds of activities:

- Governmental activities:

  The basic services provided by the District, such as regular and special education, administration, and transportation are included here. Property taxes, funding received from the State of California through the revenue limit, along with categorical and special funding received from the federal and state government finance most of these activities.

- Business-type activities:

  Business-type activities would charge fees to help cover the costs of certain services it provides. There are no business-type activities for the District.

Fund Financial Statements

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

- Some funds are required by bond covenants and by state law.
- Other funds are established by the District to control and manage money for particular purposes (such as repaying its long-term debts). Other funds may also show proper usage of certain revenues (such as federal grants).

There are three kinds of funds: governmental, proprietary and fiduciary funds. The District maintains two kinds of funds, the governmental and fiduciary funds:

- **Governmental funds:**

  Most of the District's basic services are included in governmental funds, which generally focus on:

  1. How cash and other financial assets can readily be converted to cash flow (in and out).
  2. The balances left at year-end that are available for spending.

  A detailed short-term view is provided by the governmental fund statements. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental fund statements that explain the differences (or relationships) between them.

  The District maintains several individual governmental funds organized according to their type (general, special revenue, capital projects, and debt service). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, building, and bond interest and redemption funds, which are considered to be the major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

  The District adopts an annual appropriated budget. The budget is a compilation of operating budgets from individual functional units within the general, special revenue, debt service, and capital projects fund. Budgets are adopted for all funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

- **Proprietary funds:**

  The District has no proprietary funds.

- **Fiduciary funds:**

  For assets that belong to others, such as the student body funds, the District acts as the trustee, or fiduciary. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. A separate statement of fiduciary net position and a statement of changes in fiduciary net position reports the District's fiduciary activities. These activities are excluded from the government-wide financial statements, as the assets cannot be used by the District to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Table 1: Net Position

	Governmental Activities 2013	Governmental Activities 2012	Percentage Change
Current and other assets			
Cash	$ 57,780,747	$ 25,399,949	127.5%
Receivables	2,809,619	2,858,001	(1.7%)
Other current assets	299,880	1,395,989	(78.5%)
Subtotal of current and other assets	60,890,246	29,653,939	105.3%
Capital assets, net	127,183,464	123,056,168	3.4%
Total assets	188,073,710	152,710,107	23.2%
Long-term debt outstanding	163,998,299	125,224,610	31.0%
Other liabilities	4,188,192	8,152,697	(48.6%)
Total liabilities	168,186,491	133,377,307	26.1%
Deferred Inflow of Resources			
Deferred revenue	351,888	603,316	(41.7%)
Net position			
Net investment in capital assets	(33,849,562)	512,565	(6704.0%)
Restricted	46,668,516	8,864,573	426.5%
Unrestricted	6,716,377	9,352,346	(28.2%)
Total net position	$19,535,331	$18,729,484	4.3%

The District's net position was $19,535,331 for the fiscal year ended June 30, 2013. Of this amount, $6,716,377 was unrestricted. Restricted net position of $46,668,516 is reported separately to show external restrictions on how they may be used.

The District's net position increased by $805,847 or 4.3% less on June 30, 2013, than they were the year before. Many factors contributed to the growth in financial position. However, certain events of the current year stands out beyond others:

- Increase in cash was due to sale of two bonds.
- Decrease in other current assets was due to write-off of bond issuance cost as per GASB 63/65.
- Increase in capital assets was due to expenditure on capital projects.

- Decrease in other liabilities was due to no liability for advanced principal apportionments such as that which occurred in 2011/12.
- Increase in long-term liabilities was due to the issuance of 2 bonds.

Changes in Net Position

The District's total revenues are $55,085,887, an increase of $1,954,180 or 3.7% from the prior year (see Table 2). This increase is mainly due to new parcel tax revenues.

The total cost of all programs and services declined 1.3% to $60,963,690. The District's expenses are predominantly related to educating and caring for students $35,611,143 or 58.4% (see Table 4). The purely administrative activities of the District accounted for just 4.5% of the total costs. The most significant contributor to the change came in two areas. The first area is in plant services, which decreased as a result of less capital project expenditures. The second area of significant change was the increase in interest on long-term debt which was the result of the interest accretion of the capital appreciation bonds.

Table 2: Changes in Net Position

	Governmental Activities		Percentage
	2013	2012	Change
Revenues			
Program revenues			
Charges for services	$ 288,692	$ 321,052	(10.1%)
Operating grants and contributions	5,592,642	4,805,157	16.4%
General revenues			
Taxes	42,924,830	40,095,463	7.1%
Federal & state aid	4,659,558	4,633,165	0.6%
Other	1,620,165	3,276,870	(50.6%)
Total revenues	55,085,887	53,131,707	3.7%
Expenses			
Instruction	25,533,411	25,633,532	(0.4%)
Instruction-related	4,559,306	4,364,350	4.5%
Pupil services	5,518,426	5,393,485	2.3%
General administration	2,734,177	2,873,043	(4.8%)
Plant services	7,773,984	10,907,737	(28.7%)
Ancillary services	529,918	492,169	7.7%
Other	1,471,542	1,452,754	1.3%
Interest on long-term debt	8,100,220	6,651,606	21.8%
Depreciation	4,742,706	4,006,483	18.4%
Total expenses	60,963,690	61,775,159	(1.3%)
Change in net position (excluding prior period adjustment)	(5,877,803)	(8,643,452)	32.0%
Prior period adjustment	6,683,650	-	
Change in net position (including prior period adjustment)	$805,847	($8,643,452)	109.3%

Governmental Activities

Revenues for the District's governmental activities increased 3.7% while total expenses decreased 1.3%. Excluding prior period adjustment, the change in net position increased $2,765,649 or 32.0% compared to prior year.

The recent changes of the District's finances can be credited to:

- Operating grants and contributions increased $787,485 or 16.4% due to spending of prior year restricted carryover balances.
- Taxes increased $2,829,367 or 7.1% % due to redistribution of redevelopment agencies to the school district.
- Other revenues decreased $1,656,705 or 50.6% due to refund of overpayment of lease revenues.
- General administration decreased $138,866 or 4.8% due to changes in staffing.
- Plant services decreased $3,133,753 or 28.7% due to less bond capital project expenditures.
- Interest on long-term debt increased $1,448,614 or 21.8% due to the interest accretion of the capital appreciation bonds.
- Depreciation increased $485,906 or 18.4% due to more completed capital projects.

Table 3: Summary of Revenues for Governmental Functions

	FYE 2013 Amount	Percent of Total	Increase (Decrease) from FYE 2012	Percent Increase (Decrease)
Revenues				
Program revenues				
Charges for services	$ 288,692	0.5%	($ 32,360)	(10.1%)
Operating grants and contributions	5,592,642	10.2%	787,485	16.4%
General revenues				
Taxes	42,924,830	77.9%	2,829,367	7.1%
Federal & state aid	4,659,558	8.5%	26,393	0.6%
Other	1,620,165	2.9%	(1,656,705)	(50.6%)
Total revenues	$55,085,887	100.0%	$1,954,180	3.7%

JEFFERSON UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2013

Table 4: Summary of Expenses

	FYE 2013 Amount	Percent of Total	Increase (Decrease) from FYE 2012	Percent Increase (Decrease)
Expenses				
Instruction	$25,533,411	41.9%	($100,121)	(0.4%)
Instruction-related	4,559,306	7.5%	194,956	4.5%
Pupil services	5,518,426	9.0%	124,941	2.3%
General administration	2,734,177	4.5%	(138,866)	(4.8%)
Plant services	7,773,984	12.7%	(3,133,753)	(28.7%)
Ancillary services	529,918	0.9%	37,749	7.7%
Other	1,471,542	2.4%	18,788	1.3%
Interest on long-term debt	8,100,220	13.3%	1,448,614	21.8%
Depreciation	4,742,706	7.8%	736,223	18.4%
Total expenses	$60,963,690	100.0%	($811,469)	(1.3%)

Table 5: Governmental Activities

	Total Cost of Services 2013	Total Cost of Services 2012	Percentage Change 2012-2013	Net Cost of Services 2013	Net Cost of Services 2012	Percentage Change 2012-2013
Instruction	$25,533,411	$25,633,532	(0.4%)	($23,081,443)	($22,737,246)	(1.5%)
Instruction-related	4,559,306	4,364,350	4.5%	(4,457,950)	(4,204,890)	(6.0%)
Pupil services	5,518,426	5,393,485	2.3%	(3,940,613)	(3,910,077)	(0.8%)
General administration	2,734,177	2,873,043	(4.8%)	(2,666,639)	(2,750,085)	3.0%
Plant services	7,773,984	10,907,737	(28.7%)	(7,655,867)	(10,886,170)	29.7%
Ancillary services	529,918	492,169	7.7%	(529,918)	(519,184)	(2.1%)
Other	1,471,542	1,452,754	1.3%	93,000	(983,209)	109.5%
Interest on long-term debt	8,100,220	6,651,606	21.8%	(8,100,220)	(6,651,606)	(21.8%)
Depreciation	4,742,706	4,006,483	18.4%	(4,742,706)	(4,006,483)	(18.4%)
Total	$60,963,690	$61,775,159	(1.3%)	($55,082,356)	($56,648,950)	2.8%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Governmental Functions

The District's governmental funds reported a combined fund balance of $21,312,692, which is more than last year's total of $21,312,692. Below is an analysis of the District's fund balances and the total change in fund balance from the prior year.

Table 6: District's Fund Balances

	Fund Balance 2013	Fund Balance 2012	Percent Increase (Decrease)
Major funds:			
General funds:			
General fund (fund01)	$11,657,918	$11,492,612	1.4%
Special Reserve for other than capital outlay projects (fund17)	740,577	731,701	1.2%
General funds	12,398,495	12,224,313	1.4%
Capital Project – Building	36,992,349	997,670	3607.9%
Debt Service – Bond Interest & Redemption	7,654,169	6,647,127	15.2%
Nonmajor funds:			
Special Revenue:			
Adult Education	17,127	17,127	0.0%
Cafeteria	262,759	200,314	31.2%
Deferred Maintenance	102,412	884,969	(88.4%)
Capital Project:			
Capital Facilities	560,588	319,102	75.7%
County School Facilities	22,022	22,070	(0.2%)
Total	$58,009,921	$21,312,692	172.2%

The change in fund balance in the General funds is primarily due to additional grant restricted balances.

The change in the fund balance for the Building fund is primarily due to the issuance of 2 bonds.

The change in fund balance in the Bond Interest & Redemption fund is primarily due to additional bonds issued.

The change in the fund balance for the Cafeteria fund is primarily due to increased participation resulting in more state and federal reimbursements.

The change in the fund balance for the Capital Facilities fund is primarily due to additional developer fee collections.

Two of the District's funds (Deferred Maintenance and County School Facilities funds) had more expenditures than revenues during the fiscal year.

GENERAL FUND (FUND 01) BUDGETARY HIGHLIGHTS

The District amended its revenue estimates to reflect a $4,626,013 increase mostly in total revenue limit of $4,373,742 due to redevelopment agencies tax payments.

The expenditure estimates were amended to reflect a $6,947,028 increase mostly in: books and supplies of $4,043,601; and certificated salaries of $1,718,868 due to spending of carryover balances and parcel tax expenditures.

During the year, actual revenues were less than budgetary estimates by $662,156. Majority of this negative variance amount is in other local revenues of $510,876 due to amounts deferred to next year.

Actual expenditures were less than budgetary estimates by $6,201,773. This positive variance is mainly in: books and supplies of $4,388,945 due to unexpended grant funding; and certificated salaries of $863,314 due to unexpended grant funding.

The net effect of under-realization of revenues and under-utilization of expenditures plus the $100,000 positive variance in operating transfers out resulted in a favorable variance of $5,639,617 thus eliminating the need to draw upon existing fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets amounts to $127,183,464 (net of accumulated depreciation). This investment includes mainly land, improvements, buildings, equipment, and work in progress.

The District's cost of capital assets increased $8,610,273 or 4.8% over the prior year. Major capital asset events during the current fiscal year included the following:

- Building modernization
- Purchases of equipment

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

Capital assets for the governmental activities are presented below to illustrate changes from the prior year:

Table 7: Capital Assets

	Governmental Activities 2013	Governmental Activities 2012	Percent Change 2012-2013
Land	$ 1,536,578	$ 1,536,578	- %
Improvements	1,774,120	1,774,120	- %
Buildings	180,065,336	150,998,727	19.2%
Equipment	3,635,170	3,913,628	(7.1%)
Work in progress	205,041	20,382,919	(99.0%)
Total at cost	$187,216,245	$178,605,972	4.8%

Long-Term Debt

The District has increased its long-term debt mainly due to the issuance of 2 bonds.

Table 8: Outstanding Long-term Debt

	District Total 2013	District Total 2012	Percent Change 2012-2013
Bonds payable (including premium)	$161,033,026	$122,543,603	0.1%
Compensated absences	361,215	298,658	20.9%
Net OPEB Obligation	2,604,058	2,382,349	9.3%
Total	$163,998,299	$125,224,610	31.0%

FACTORS BEARING ON THE DISTRICT'S FUTURE

In 2013/14, the State adopted a new funding mechanism for school districts. The Local Control Funding Formula .(LCFF) promises to increase state funding to school districts over a 10 year period. For 2013/14, the school district will be held harmless at its 2012/13 funding level. The LCFF allows local governing boards to control expenditure decisions while still meeting the needs of all students. The actual specific requirements for the expenditures of LCFF funds is still unknown.

The district also continues to expect ongoing declines in enrollment in the next two years. This decrease will be balanced out by anticipated growth in LCFF funding in the future.

Under the LCFF in 2013/14, the district will remain an excess tax funded district. It is anticipated in future years that the district will revert to a state funded district.

In June 2012, the district passed parcel tax Measure Y. The parcel tax generated over $1.6 million dollars in funding in the 2012/13 fiscal year. The measure will continue to provide funding through the 2015/16 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District's Business Office at (650) 550-7954 or 699 Serramonte Blvd. Daly City, CA 94015.

Basic Financial Statements -
Government-wide Financial Statements

JEFFERSON UNION HIGH SCHOOL DISTRICT
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets	
Cash in county treasury	$ 57,737,680
Cash on hand and in bank	25,000
Cash in revolving fund	4,475
Cash with fiscal agent	13,592
Accounts receivable	344,210
Due from grantor government	2,465,409
Prepaid expenses	299,880
Land	1,536,578
Improvements	1,774,120
Buildings	180,065,336
Equipment	3,635,170
Work in progress	205,041
Less accumulated depreciation	(60,032,781)
Total Assets	188,073,710
Liabilities	
Accounts payable and accrued liabilities	3,503,001
Due to grantor government	685,191
Long-term debt	
Due within one year	
Bonds payable	2,898,022
Total due within one year	2,898,022
Due beyond one year	
Bonds payable	158,135,004
Compensated absences	361,215
Net OPEB obligation	2,604,058
Total due beyond one year	161,100,277
Total Liabilities	168,186,491
Deferred Inflow of Resources	
Deferred revenue	351,888
Net Position	
Net investment in capital assets	(33,849,562)
Restricted	
Legally restricted	46,668,516
Unrestricted	6,716,377
Total Net Position	$ 19,535,331

The notes to the basic financial statements are an integral part of this statement.

JEFFERSON UNION HIGH SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2013

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Functions/Programs				
Governmental Activities				
Instruction	$ 25,533,411	$ 56,864	$ 2,395,104	$ (23,081,443)
Instruction-related services	4,559,306	41	101,315	(4,457,950)
Pupil services	5,518,426	199,696	1,378,117	(3,940,613)
General administration	2,734,177	3,595	63,943	(2,666,639)
Plant services	7,773,984	523	117,594	(7,655,867)
Ancillary services	529,918	-	-	(529,918)
Other outgo	1,471,542	27,973	1,536,569	93,000
Interest on long-term debt	8,100,220	-	-	(8,100,220)
Depreciation - unallocated	4,742,706	-	-	(4,742,706)
Total Governmental Activities	$ 60,963,690	$ 288,692	$ 5,592,642	(55,082,356)
General Revenues				
Taxes and subventions				
Taxes levied for general purposes				34,126,500
Taxes levied for debt service				6,667,824
Taxes levied for other specific purposes				2,130,506
Federal and state aid not restricted for specific purposes				4,659,558
Interest and investment earnings				147,513
Miscellaneous				1,472,652
Total General Revenues				49,204,553
Change in Net Position				(5,877,803)
Net Position, Beginning				18,729,484
Adjustments				6,683,650
Net Position, Ending				$ 19,535,331

The notes to the basic financial statements are an integral part of this statement.

Basic Financial Statements -
Fund Financial Statements

JEFFERSON UNION HIGH SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2013

	General Funds	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total
Assets					
Cash in county treasury	$ 11,902,322	$ 37,011,169	$ 7,644,116	$ 1,180,073	$ 57,737,680
Cash on hand and in bank	25,000	-	-	-	25,000
Cash in revolving fund	4,000	-	-	475	4,475
Cash with fiscal agent	13,592	-	-	-	13,592
Accounts receivable	297,908	31,873	10,053	4,376	344,210
Due from grantor government	2,227,711	-	-	237,698	2,465,409
Due from other funds	292,486	-	-	12,306	304,792
Prepaid expenses	291,260	-	-	8,620	299,880
Total Assets	$ 15,054,279	$ 37,043,042	$ 7,654,169	$ 1,443,548	$ 61,195,038
Liabilities and Fund Balances					
Liabilities					
Accounts payable and accrued liabilities	$ 1,619,158	$ 30,696	$ -	$ 193,392	$ 1,843,246
Due to grantor government	685,191	-	-	-	685,191
Due to other funds	-	19,997	-	284,795	304,792
Deferred revenue	351,435	-	-	453	351,888
Total Liabilities	2,655,784	50,693	-	478,640	3,185,117
Fund Balances					
Nonspendable					
Revolving Cash	4,000	-	-	475	4,475
Prepaid Expenditures	291,260	-	-	8,620	299,880
Restricted					
Legally Restricted Balance	1,883,404	36,992,349	7,654,169	138,594	46,668,516
Assigned					
Other Assignments	3,686,859	-	-	817,219	4,504,078
Unassigned					
Economic Uncertainties	2,112,372	-	-	-	2,112,372
Unassigned	4,420,600	-	-	-	4,420,600
Total Fund Balances	12,398,495	36,992,349	7,654,169	964,908	58,009,921
Total Liabilities and Fund Balances	$ 15,054,279	$ 37,043,042	$ 7,654,169	$ 1,443,548	$ 61,195,038

The notes to the basic financial statements are an integral part of this statement.

JEFFERSON UNION HIGH SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Assets - Governmental Activities
June 30, 2013

Total fund balances - governmental funds		$ 58,009,921
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Cost	$ 187,216,245	
Accumulated depreciation	(60,032,781)	127,183,464
To recognize accrued interest at year end.		(1,659,755)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities, including premium/discount, at year-end consist of:		
Bonds payable	161,033,026	
Net OPEB obligation	2,604,058	
Compensated absences	361,215	(163,998,299)
Total net position - governmental activities		$ 19,535,331

The notes to the basic financial statements are an integral part of this statement.

JEFFERSON UNION HIGH SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013

	General Funds	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total
Revenues					
Revenue limit sources					
State apportionments	$ 958,900	$ -	$ -	$ -	$ 958,900
Local sources	31,752,997	-	-	-	31,752,997
Revenue limit transfers	2,373,503	-	-	-	2,373,503
Total revenue limit	35,085,400	-	-	-	35,085,400
Federal	1,600,968	-	594	1,133,911	2,735,473
Other state	4,496,909	-	68,674	63,366	4,628,949
Other local	4,301,145	191,459	7,593,675	549,786	12,636,065
Total Revenues	45,484,422	191,459	7,662,943	1,747,063	55,085,887
Expenditures					
Instruction	24,425,982	-	-	920,726	25,346,708
Instruction-related services	4,082,347	-	-	443,621	4,525,968
Pupil services	4,410,267	-	-	1,067,808	5,478,075
Ancillary services	526,891	-	-	-	526,891
General administration	2,687,134	-	-	27,050	2,714,184
Plant services	6,656,077	1,208,780	-	816,532	8,681,389
Other outgo	1,471,542	-	-	-	1,471,542
Debt service:					
Principal	-	-	2,445,000	-	2,445,000
Interest	-	-	4,210,901	-	4,210,901
Total Expenditures	44,260,240	1,208,780	6,655,901	3,275,737	55,400,658
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,224,182	(1,017,321)	1,007,042	(1,528,674)	(314,771)
Other Financing Sources (Uses)					
Operating transfers in	-	-	-	1,050,000	1,050,000
Operating transfers out	(1,050,000)	-	-	-	(1,050,000)
Proceeds from long-term debt	-	37,012,000	-	-	37,012,000
Total Other Financing Sources (Uses)	(1,050,000)	37,012,000	-	1,050,000	37,012,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	174,182	35,994,679	1,007,042	(478,674)	36,697,229
Fund Balances, Beginning	12,224,313	997,670	6,647,127	1,443,582	21,312,692
Fund Balances, Ending	$ 12,398,495	$ 36,992,349	$ 7,654,169	$ 964,908	$ 58,009,921

The notes to the basic financial statements are an integral part of this statement.

JEFFERSON UNION HIGH SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-wide Statement of Activities - Governmental Activities
Year Ended June 30, 2013

Total net change in fund balances - governmental funds		$ 36,697,229
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay exceeds depreciation expense in the period:		
Capital outlay	$ 908,259	
Depreciation expense	(4,742,706)	(3,834,447)
The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of premium when bond is first issued, whereas, this amounts are and amortized in the statement of activities. Issue costs are expensed the year the debt is issued. Interest is recognized as an expenditures in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Proceeds from long-term debt	(37,012,000)	
Repayment of bond principal	2,445,000	
Cost of issuing new debt	(1,392,433)	
Amortization of bond premium (discount)	91,135	
Accretion of Capital Appreciation Bonds	(2,621,125)	(38,489,423)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation earned exceeded the amounts used by:		(62,557)
In the statement of activities, change in net OPEB obligation are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This year net OPEB obligation earned exceeded the amounts used by:		(221,709)
Interest in long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		33,104
Total change in net position - governmental activities		$ (5,877,803)

The notes to the basic financial statements are an integral part of this statement.

JEFFERSON UNION HIGH SCHOOL DISTRICT
Statement of Net Position
Fiduciary Funds
June 30, 2013

	Student Body Funds
Assets	
Cash and investments	$ 683,142
Total assets	$ 683,142
Liabilities	
Due to student group	$ 683,142
Total Liabilities	$ 683,142

The notes to the basic financial statements are an integral part of this statement.

Basic Financial Statements -
Notes to the Basic Financial Statements

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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

B. Reporting Entity

The District includes all funds that are controlled by the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in generally accepted accounting principles. Based upon those criteria, the District has determined that there are no potential component units that should be included in the District financial reporting entity.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e. statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District.

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, includes a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Fund Financial Statements:

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

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

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflow/inflow of resources, and liabilities associated with the operation of these funds are included on the proprietary fund's statement of net position. The statement of revenues, expenses, and changes in net position for proprietary funds presents increases (i.e., revenues) and decreases (i.e., expenditures) in net total assets. The statement of cash flows provides information about how the district finances and meets the cash flow needs of its proprietary activities. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The District has no proprietary funds.

Fiduciary funds are reported using the economic resources measurement focus.

NOTE 1. **SIGNIFICANT ACCOUNTING POLICIES - Continued**

D. Basis of Accounting

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

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after the year-end.

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

Deferred revenue:

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES - Continued

Expenses/expenditures:

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

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

E. Fund Accounting

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

Major Governmental Funds:

The *General Funds* are mainly the general operating fund of the District. It is used to account for all financial resources except for those required to be accounted for in another fund. This fund combines Fund 01-General Fund and, starting FY10/11, Fund 17-Special Reserve Fund for Other than Capital Outlay Projects.

The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

The *Bond Interest and Redemption Fund* is maintained by the County Treasurer and is used to account for the accumulation of resources from ad valorem tax levies and the repayment of District bonds, interest, and related costs.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES - Continued

Nonmajor Governmental Funds:

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

- The *Adult Education Fund* is used to account for resources committed to adult education programs maintained by the District. Under the flexibility provisions of current statute that allow formerly restricted revenues to be used for any educational purpose, such as this fund, do not currently meet the definition of special revenue funds as they are no longer primarily composed of restricted or committed revenue sources. However, since the programs associated with these funds may be reinstated at the end of the five-year flexibility period, the CDE has elected not to close these funds at this time. Additionally, substantial portion of the inflows were federal revenues.

- The *Cafeteria Fund* is used to account separately for revenues received and expenditures made to operate the District's food service operations.

- The *Deferred Maintenance Fund* is used for the purpose of major repairs or replacement of District property. Under the flexibility provisions of current statute that allow formerly restricted revenues to be used for any educational purpose, such as this fund, do not currently meet the definition of special revenue funds as they are no longer primarily composed of restricted or committed revenue sources. However, since the programs associated with these funds may be reinstated at the end of the five-year flexibility period, the CDE has elected not to close these funds at this time.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains the following nonmajor capital projects funds:

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

- The *County School Facilities Fund* is used to account for state apportionments provided for modernization of school facilities under SB50.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES - Continued

Fiduciary Fund:

Agency Funds account for assets of others for which the District acts as agent. The District maintains agency funds for the student body accounts, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools in the District.

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund in the financial statements.

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

G. Accounting Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow/inflow of resources, and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimated.

H. Encumbrances

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

NOTE 1. **SIGNIFICANT ACCOUNTING POLICIES - Continued**

I. Subsequent Events

Management has evaluated subsequent events through October 25, 2013.

J. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to $250,000 by the Federal Depository Insurance Corporation.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Mateo County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

2. Inventories and prepaid expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

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 expenditure when incurred.

3. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a find is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $5,000. The District does not own any infrastructure as defined in GASB No. 34. Improvements are capitalized; the costs 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.

All reported capital assets, except for land and work in progress, are depreciated. Improvements are depreciated over the remaining life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and improvements	20-50 years
Furniture and equipment	15-20 years
Vehicles	8 years

4. Deferred Revenue

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

5. Compensated Absences

All vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligation are reported as liabilities in the Statement of Net Position. Bonds premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method over the remaining life of the debt. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental fund recognized bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

7. Fund Balance

Governmental funds report fund balances in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form–such as inventory, prepaid amounts or long-term notes receivable, or (b) legally or contractually required to be maintained intact–such as a trust that must be retained in perpetuity. The "not in spendable form" criterion includes items that are expected to be converted to cash.

- *Restricted Fund Balance* – constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Restriction may effectively be changed or lifted only with the consent of resource providers.

- *Committed Fund Balance* – amounts that can be used only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board. Commitments may be changed or lifted by the District taking the same formal action that imposed the constraint originally.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES - Continued

- *Assigned Fund Balance* – comprises amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the District's Board or (b) the Superintendent or designee whom the District's Board has delegated the authority to assign, modify, rescind amounts to be used for specific purposes. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

- *Unassigned Fund Balance* – the residual classification for the General Fund. It is also used to report negative fund balance in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3% of General Fund expenditures and other financing uses.

8. Net Position

Net position represents the difference between assets and deferred outflow with liabilities and deferred inflow. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors, or laws or regulations of other governments.

9. Revenue Limit/Property Tax

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

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES - Continued

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's base revenue limit is the amount general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

NOTE 2. CASH AND INVESTMENTS

A. Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Mateo County Treasury as part of the common investment pool. The fair market value factor of this pooled cash as of June 30, 2013 as provided by the pool sponsor, was .99643. The District is considered to be an involuntary participant in the external investment pool. Interest is deposited into participation funds, which is credited to the General Fund. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or Bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

NOTE 2. CASH AND INVESTMENTS - Continued

A summary of deposits as of June 30, 2013 are as follows:

	Carrying Amount	Fair Value
Deposits:		
Cash in County Treasury	$57,737,680	$57,531,556
Cash in bank	25,000	25,000
Cash in revolving fund	4,475	4,475
Cash with fiscal agent	13,592	13,543
Total Governmental Activities	$57,780,747	$57,574,574
Cash in Student Body Funds	$683,142	$683,142

B. Cash on Hand, in Banks, and in Revolving Fund

As of June 30, 2013, cash in revolving fund is $4,475 and cash in bank is $25,000 for the Plan 125. Cash in banks are insured up to $250,000 by the Federal Depository Insurance Corporation. These accounts are held within various financial institutions.

NOTE 3. RECEIVABLES

Receivables (accounts and due from grantor government) as of June 30, 2013, consists of the following:

	General Funds	Building Fund	Bond Interest and Redemption Fund	All Other Govern-mental Funds	Total
Federal sources:					
Categorical aid program	$ 493,375	$ -	$ -	$236,476	$ 729,851
State sources:					
Revenue limit	572	-	-	-	572
Lottery	434,816	-	-	-	434,816
Categorical aid program	1,002,700	-	-	-	1,002,700
Local sources:					
Other	57,761	-	-	3,542	61,303
Interest	19,146	31,873	10,053	2,056	63,128
Special education	380,156	-	-	-	380,156
Miscellaneous	137,093	-	-	-	137,093
Total Receivables	$2,525,619	$31,873	$10,053	$242,074	$2,809,619

NOTE 4. INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

A. Interfund Receivables/Payables (Due From/Due To)

As of June 30, 2013, interfund receivables and payables were as follows:

Fund	Interfund Receivable	Interfund Payable
General funds	$292,486	$ -
Nonmajor Governmental funds:		
Special Revenue funds:		
Adult Education fund	-	193,795
Cafeteria fund	-	72,962
Capital Project funds:	-	
Capital Facilities fund	-	18,038
Total	$292,486	$292,486

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2012-2013 were as follows:

Fund	Transfers In	Transfers Out
General fund	$ -	$1,050,000
Nonmajor Governmental fund:		
Special Revenue fund:		
Adult Education fund	1,050,000	-
Total	$1,050,000	$1,050,000

Transfer from the General fund to the Adult Education fund was for adult education apportionments made flexible by the state and used for adult education expenditures.

NOTE 5. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2013, is shown below:

	Balance July 1, 2012	Additions/ Adjustments	Deletions/ Adjustments	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 1,536,578	$ -	$ -	$ 1,536,578
Work in progress	20,382,919	8,166,784	28,344,662	205,041
Total capital assets, not being depreciated	21,919,497	8,166,784	28,344,662	1,741,619
Capital assets, being depreciated:				
Improvements	1,774,120	-	-	1,774,120
Buildings	150,998,727	29,066,609	-	180,065,336
Equipment	3,913,628	-	278,458	3,635,170
Total capital assets, being depreciated	156,686,475	29,066,609	278,458	185,474,626
Less accumulated depreciation for:				
Improvements	1,427,375	43,186	-	1,470,561
Buildings	51,709,907	4,551,395	-	56,261,302
Equipment	2,412,522	148,125	259,729	2,300,918
Total accumulated depreciation	55,549,804	4,742,706	259,729	60,032,781
Total capital assets, being depreciated, net	101,136,671	24,323,903	18,729	125,441,845
Governmental activities capital assets, net	$123,056,168	$32,490,687	$28,363,391	$127,183,464

The unallocated depreciation expense charged to governmental activities for the fiscal year is $4,742,706.

NOTE 6. LONG-TERM DEBT

The outstanding long-term debt of the District as of June 30, 2013, is as follows:

Year of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2012	Outstanding June 30, 2013
2000	5.75%-6.45%	8/1/2029	$ 22,060,000	$ 16,575,000	$ 15,960,000
2005	3%-4.5%	8/1/2030	5,045,000	4,670,000	4,530,000
2006	4%-5%	8/1/2031	50,000,000	46,350,000	45,090,000
	Premium		588,865	467,164	443,609
2009	2.5%-12%	8/1/2033	17,998,937	17,649,317	17,649,317
	Accreted Interest		27,221,063	2,667,075	3,859,090
	Premium		591,513	519,629	494,983
2010	3%-5%	8/1/2026	12,000,000	12,000,000	11,570,000
	Premium		545,284	472,579	439,023
2011	8.26%-12%	8/1/2041	14,999,737	14,999,737	14,999,737
	Accreted Interest		111,725,263	1,313,102	2,742,212
2011	4.844%	6/1/2016	4,860,000	4,860,000	4,860,000
2013	2%-5%	8/1/2037	35,540,000	-	35,540,000
	Premium		1,364,433	-	1,355,055
2013	1.53%	8/1/2016	1,500,000	-	1,500,000
Totals			$306,040,095	$122,543,603	$161,033,026

In March 2000 the District issued the 2000 General Obligation Refunding Bonds, Series A, for $22,060,000 to refund in advance certain bonds which were previously issued for the purpose of financing the acquisition and construction of new facilities and improving and repairing existing schools. The annual requirements to amortize the bonds outstanding as of June 30, 2013, are as follows:

Year Ended June 30	Principal	Interest	Total
2014	$ 660,000	$1,015,084	$ 1,675,084
2015	700,000	973,521	1,673,521
2016	755,000	929,459	1,684,459
2017	805,000	881,959	1,686,959
2018	860,000	831,334	1,691,334
2019-2023	5,235,000	3,262,907	8,497,907
2024-2028	6,305,000	1,344,502	7,649,502
2029-2030	640,000	38,700	678,700
Totals	$15,960,000	$9,277,466	$25,237,466

NOTE 6. LONG-TERM DEBT – Continued

In August 2005, the District entered into an agreement with Golden West Schools Financing Authority (the "Authority") where the 2005 General Obligation Revenue Bonds (Jefferson Union High School District Refunding) (the "Bonds") are being issued by the Authority for $5,660,000 to provide funds to redeem $4,850,000 of the General Obligation Bonds, Election 1995, Series E (the "2000 Bonds"). Concurrently, the District will issue the 2005 General Obligation Refunding Bonds (the "District Refunding Bonds") for $5,045,000 in exchange for the 2000 Bonds. The Bonds are payable from revenues consisting primarily of payments of principal and interest and redemption premium, if any, on the District Refunding Bonds. The annual requirements to amortize the District Refunding Bonds outstanding as of June 30, 2013, are as follows:

Year Ended June 30	Principal	Interest	Total
2014	$ 155,000	$ 233,097	$ 388,097
2015	160,000	225,260	385,260
2016	170,000	216,909	386,909
2017	180,000	207,915	387,915
2018	190,000	198,245	388,245
2019-2023	1,125,000	805,721	1,930,721
2024-2028	1,455,000	480,980	1,935,980
2029-2031	1,095,000	76,747	1,171,747
Totals	$4,530,000	$2,444,874	$6,974,874

In April 2007 the District issued the 2006 General Obligation Bonds, Series A, for $50,000,000 to finance the construction of new school facilities, and the repair and refurbishment of existing facilities. The annual requirements to amortize the bonds outstanding as of June 30, 2013, are as follows:

Year Ended June 30	Principal	Interest	Total
2014	$ 1,360,000	$ 1,958,540	$ 3,318,540
2015	1,470,000	1,887,790	3,357,790
2016	1,585,000	1,819,340	3,404,340
2017	1,705,000	1,753,540	3,458,540
2018	1,795,000	1,683,540	3,478,540
2019-2023	10,475,000	7,183,900	17,658,900
2024-2028	13,405,000	4,435,397	17,840,397
2029-2032	13,295,000	1,197,984	14,492,984
Totals	45,090,000	$21,920,031	$67,010,031
Bond Premium as of June 30, 2013	443,609		
Book Balance	$45,533,609		

NOTE 6. LONG-TERM DEBT – Continued

In July 2009 the District issued the 2006 General Obligation Bonds, Series B, for $17,998,937 to finance the construction of new school facilities, and the repair and refurbishment of existing facilities. The bonds consisted of current interest and capital appreciation in the amounts of $3,000,000 and $14,998,937, respectively. The capital appreciation bonds of $14,998,937 will mature at $42,220,000 ranging from the fiscal years 2011 to 2031. As of June 30, 2013, the accumulated accretion on the capital appreciation bonds and the annual requirements to amortize the bonds outstanding are as follows:

Year Ended June 30	Principal	Accreted Interest	Interest	Total
2014	$ 67,547	$ 22,453	$ 136,019	$ 226,019
2015	163,543	66,457	134,544	364,544
2016	233,704	151,296	132,169	517,169
2017	279,695	240,305	129,431	649,431
2018	343,424	376,576	126,219	846,219
2019-2023	3,697,105	3,027,895	565,256	7,290,256
2024-2028	7,858,321	12,696,680	411,778	20,966,778
2029-2033	4,785,978	10,574,021	191,781	15,551,781
2034	220,000	-	5,913	225,913
Totals	17,649,317	27,155,683	$1,833,110	$46,638,110
Bond Premium as of June 30, 2013	494,983	-		
Unaccreted Interest	-	(23,296,593)		
Accreted Interest as of June 30, 2013	3,859,090	$3,859,090		
Book Balance	$22,003,390			

NOTE 6. LONG-TERM DEBT – Continued

In April 2010 the District issued the 2006 General Obligation Bonds, Series C, for $12,000,000 to finance the construction of new school facilities, and the repair and refurbishment of existing facilities. The annual requirements to amortize the bonds outstanding as of June 30, 2013, are as follows:

Year Ended June 30	Principal	Interest	Total
2014	$ 495,000	$ 501,750	$ 996,750
2015	515,000	481,550	996,550
2016	530,000	463,300	993,300
2017	605,000	440,225	1,045,225
2018	680,000	408,100	1,088,100
2019-2023	5,665,000	1,370,000	7,035,000
2024-2027	3,080,000	177,150	3,257,150
Totals	11,570,000	$3,842,075	$15,412,075
Bond Premium as of June 30, 2013	439,023		
Book Balance	$12,009,023		

In January 2011 the District issued the 2006 General Obligation Bonds, Series D, for $14,999,736.85 to finance the construction of new school facilities, and the repair and refurbishment of existing facilities. The bonds are issued as capital appreciation bonds. The annual requirements to amortize the bonds outstanding as of June 30, 2013, are as follows:

Year Ended June 30	Principal	Accreted Interest	Total
2028	$ 78,206	$ 456,794	$ 535,000
2029-2033	2,744,323	16,230,677	18,975,000
2034-2038	7,099,031	45,415,969	52,515,000
2039-2042	5,078,177	49,621,823	54,700,000
Totals	14,999,737	111,725,263	$126,725,000
Unaccreted Interest	-	(108,983,051)	
Accreted Interest as of June 30, 2013	2,742,212	$2,742,212	
Book Balance	$17,741,949		

NOTE 6. LONG-TERM DEBT - Continued

In June 2011, the District issued the 2011 Taxable Bond Anticipation Notes (Direct-Pay Qualified School Construction Bonds) for $4,860,000 for the purpose of financing the acquisition and construction of educational facilities and projects. The annual requirements to amortize the bonds outstanding as of June 30, 2013, are as follows:

Year Ended June 30	Principal	Interest	Total
2014	$ -	$235,418	$ 235,418
2015	-	235,418	235,418
2016	4,860,000	235,419	5,095,419
Totals	$4,860,000	$706,255	$5,566,255

On May 9, 2013, the District issued the 2012 General Obligation Bonds, Series A, for $35,540,000 for constructing and renovating school facilities. The annual requirements to amortize the bonds outstanding as of June 30, 2013, are as follows:

Year Ended June 30	Principal	Interest	Total
2014	$ -	$ 957,692	$ 957,692
2015	810,000	1,307,813	2,117,813
2016	850,000	1,286,963	2,136,963
2017	890,000	1,256,413	2,146,413
2018	935,000	1,219,913	2,154,913
2019-2023	5,405,000	5,511,387	10,916,387
2024-2028	6,860,000	4,254,947	11,114,947
2029-2033	8,720,000	2,802,118	11,522,118
2034-2038	11,070,000	1,063,821	12,133,821
Totals	35,540,000	$19,661,067	$55,201,067
Bond Premium as of June 30, 2013	1,355,055		
Book Balance	$36,895,055		

On June 27, 2013, the District issued the 2012 General Obligation Ed-Tech Bonds, Series B, for $1,500,000 for the purpose of financing technology projects. The annual requirements to amortize the bonds outstanding as of June 30, 2013, are as follows:

Year Ended June 30	Principal	Interest	Total
2014	$ -	$13,643	$ 13,643
2015	500,000	19,125	519,125
2016	500,000	11,475	511,475
2017	500,000	3,825	503,825
Totals	$1,500,000	$48,068	$1,548,068

JEFFERSON UNION HIGH SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2013

NOTE 7. LONG-TERM DEBT - SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2013, is shown below:

	Balance July 1, 2012	Additions	Deductions/ Adjustments	Balance June 30, 2013	Due within one year	Due beyond one year
General obligation refunding bonds, Series A	$ 16,575,000	$ -	$ 615,000	$ 15,960,000	$ 615,000	$ 15,300,000
2005 general obligation bonds revenue/refunding bonds	4,670,000	-	140,000	4,530,000	140,000	4,375,000
2006 general obligation bonds, Series A	46,350,000	-	1,260,000	45,090,000	1,360,000	43,730,000
Bond premium	467,164	-	23,555	443,609	23,555	420,054
2006 general obligation bonds, Series B	17,649,317	-	-	17,649,317	67,547	17,581,770
Accreted interest	2,667,075	1,192,015	-	3,859,090	22,453	3,836,637
Bond premium	519,629	-	24,646	494,983	24,646	470,337
2006 general obligation bonds, Series C	12,000,000	-	430,000	11,570,000	495,000	11,075,000
Bond premium	472,579	-	33,556	439,023	33,556	405,467
2006 general obligation bonds, Series D	14,999,737	-	-	14,999,737	-	14,999,737
Accreted interest	1,313,102	1,429,110	-	2,742,212	-	2,742,212
2011 taxable bond anticipation notes	4,860,000	-	-	4,860,000	-	4,860,000
2012 general obligation bonds, Series A	-	35,540,000	-	35,540,000	-	35,540,000
Bond premium	-	1,364,433	9,378	1,355,055	56,265	1,298,790
2012 general obligation Ed-Tech bonds, Series B	-	1,500,000	-	1,500,000	-	1,500,000
Compensated absences	298,658	62,557	-	361,215	-	361,215
Net OPEB Obligation	2,382,349	221,709	-	2,604,058	-	2,604,058
Totals	$125,224,610	$41,309,824	$2,536,135	$163,998,299	$2,898,022	$161,100,277

NOTE 8. JOINT VENTURES (Joint Powers Agreements)

The Jefferson Union High School District participates in one joint venture under a Joint Powers Agreements (JPAs) with the San Mateo County Schools Insurance Group. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The San Mateo County Schools Insurance Group (SMCSIG) arranges for and provides property, workers compensation, medical, and liability insurance for its member school districts. The SMCSIG is governed by a board consisting of a representative from each member district. The board controls the operations of the SMCSIG, 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 proportionate to their participation in the SMCSIG. Audited financial statements are available from the entity.

NOTE 9. COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

B. Litigation

There are no material pending or threatened litigations involving the District. However, management of the District believes, based upon consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

C. Construction Commitments

As of June 30, 2013, the District had various commitments with respect to unfinished capital projects.

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS

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

CalPERS

Plan Description: The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, CA 95814.

Funding Policy: Active plan members are required to contribute 7% of their salary (7% of monthly salary over $133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417% 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, 2013, 2012, and 2011 were $827,748, $765,989, and $759,193, respectively, and equal to 100% of the required contributions for each year.

STRS

Plan Description: The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS - Continued

Funding Policy: Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2013, 2012, and 2011 were $1,501,922, $1,451,396, and $1,484,503, respectively, and equal to 100% of the required contributions for each year.

Cash Benefit Program Offered by STRS

In September 2, 2005, the District adopted the Cash Balance Benefit Program (CB) offered by STRS for employees whose basis of employment is less than 50 percent of the full-time equivalent for the position. By offering the CB to the part-time employees, teachers who are currently contributing to the STRS Defined Benefit Program (DB) may choose to participate in the CB program in lieu of the DB program or Social Security.

For each CB program member, the District will realize a contribution savings of 4.25% over the DB program contribution of 8.25%. The District will also save 2.2% in Social Security contributions for each teacher that voluntarily changes to the CB program. The District had 20 employees enrolled in the CB program which resulted in $3,760 savings for the fiscal year ended June 30, 2013.

NOTE 11. NET OPEB OBLIGATION

The District provides post-employment health care benefits, in accordance with District employment contracts, to all qualified employees who retire from the District on or after attaining age 55 (age 50 for school teachers with 30 or more years of service) with at least 10 years of service. Currently, 108 employees meet those eligibility requirements. Retirees receive benefits for lesser of 7 years or age 70 if not Medicare eligible, or the lesser of 10 years or age 75 if Medicare eligible. Expenditures for post-employment benefits are recognized on a pay-as-you-go basis, as premiums are paid.

NOTE 11. NET OPEB OBLIGATION – Continued

The actuarial valuation of the postretirement welfare benefits is available directly from the District. Based on the latest actuarial valuation as of November 1, 2012 (valuation date), the District's post-employment benefits other than pension program is as follows:

Actuarial method	Entry age normal	
Amortization method	Level percentage of payroll	
Amortization period	30 year	
Inflation	3%	
Investment return/discount rate	5%	
Trend	5%	
Payroll increase	3%	
Actuarially required contributions as of November 1, 2012		
Normal cost		$1,185,885
Initial unfunded AAL (UAAL)		$20,078,299
Residual actuarial accrued liability		($158,443)
Annual required contribution		$2,163,865
Actuarial accrued liability (AAL) as of November 1, 2012		$19,919,856

Fiscal Year Ending	Annual Required Contribution	Contributions during the year	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/11	$2,976,783	$2,232,499	75%	$1,456,045
6/30/12	2,976,783	2,050,479	69%	2,382,349
6/30/13	2,163,865	1,942,156	90%	2,604,058

NOTE 12. LEASE OF FORMER SCHOOL SITE

In April 1985, the District leased for 99 years, until March 31, 2084, two lots (Lot 2B and Lot 4) that comprise a former school site to a commercial real estate developer, Southwest Diversified. Under the terms of the leases, the District annually receives a fixed amount, plus increases that take into account the annual change in the consumer price index. In the fiscal year 2012-2013, the District received a total of $62,154 in lease revenues from Southwest Diversified.

NOTE 13. EARLY RETIREMENT INCENTIVE

The District does not have early retirement incentive for its employees for the fiscal year ended June 30, 2013.

NOTE 14. PRIOR PERIOD ADJUSTMENT

The government-wide statements reflect a prior period adjustment of $1,278,093 to write off the unamortized issue cost of the Bonds Payable to comply with GASB 63/65 where issue costs are expensed when incurred. Another prior period adjustment of $7,961,743 is to correct the capital asset (work in progress) per CPRS. The net effect of these adjustments is an increase in net position of $6,683,650. These have no effect on the fund financial statements nor the current year's activities.

Required Supplementary Information
(other than MD&A)

JEFFERSON UNION HIGH SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund (Fund 01)
Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive -
	Original	Final	Actual	(Negative)
Revenues				
Revenue limit sources				
State apportionments	$ (158,424)	$ 959,418	$ 958,900	$ (518)
Local sources	28,948,360	31,856,913	31,752,997	(103,916)
Revenue limit transfers	2,026,157	2,373,504	2,373,503	(1)
Total revenue limit	30,816,093	35,189,835	35,085,400	(104,435)
Federal	1,447,431	1,616,016	1,600,968	(15,048)
Other state	3,906,983	4,528,706	4,496,909	(31,797)
Other local	5,341,182	4,803,145	4,292,269	(510,876)
Total Revenues	41,511,689	46,137,702	45,475,546	(662,156)
Expenditures				
Certificated salaries	17,382,196	19,101,064	18,237,750	863,314
Classified salaries	6,683,973	7,083,114	7,023,129	59,985
Employee benefits	10,049,907	10,011,550	9,690,511	321,039
Books and supplies	2,525,696	6,569,297	2,180,352	4,388,945
Services and other operating expenditures	5,403,989	6,152,875	5,653,893	498,982
Capital outlay	75,000	75,000	30,113	44,887
Other outgo	1,401,601	1,496,490	1,471,542	24,948
Indirect costs	(7,377)	(27,377)	(27,050)	(327)
Total Expenditures	43,514,985	50,462,013	44,260,240	6,201,773
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,003,296)	(4,324,311)	1,215,306	5,539,617
Other Financing Sources (Uses)				
Operating transfers out	(950,000)	(1,150,000)	(1,050,000)	100,000
Total Other Financing Sources (Uses)	(950,000)	(1,150,000)	(1,050,000)	100,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(2,953,296)	(5,474,311)	165,306	5,639,617
Fund Balances, Beginning	11,492,612	11,492,612	11,492,612	-
Fund Balances, Ending	$ 8,539,316	$ 6,018,301	$ 11,657,918	$ 5,639,617

JEFFERSON UNION HIGH SCHOOL DISTRICT
Schedule of Funding Progress
June 30, 2013

Actuarial Valuation Date	(a) Actuarial Accrued Liability (AAL)	(b) Actuarial Value of Assets (AVA)	(a)-(b) Unfunded Actuarial Accrued Liability (UAAL)	(b) / (a) Funded Ratios	(c) Annual Covered Payroll	[(a)-(b)]/(c) UAAL as a % of Payroll
Other Postemployment Benefits:						
11/1/2008	$19,758,350	$ -	$19,758,350	0%	$29,013,086	68%
11/1/2010	$19,963,252	$ -	$19,963,252	0%	$26,062,548	77%
11/1/2012	$19,919,856	$ -	$19,919,856	0%	$26,841,304	74%

Combining Fund Statements

JEFFERSON UNION HIGH SCHOOL DISTRICT
Combining Balance Sheet
Governmental Funds - General Funds
June 30, 2013

	General Fund	Special Reserve Fund for Other than Capital Outlay Projects	Total
Assets			
Cash in county treasury	$ 11,162,872	$ 739,450	$ 11,902,322
Cash on hand and in bank	25,000	-	25,000
Cash in revolving fund	4,000	-	4,000
Cash with fiscal agent	13,592	-	13,592
Accounts receivable	296,781	1,127	297,908
Due from grantor government	2,227,711	-	2,227,711
Due from other funds	292,486	-	292,486
Prepaid expenses	291,260	-	291,260
Total Assets	$ 14,313,702	$ 740,577	$ 15,054,279
Liabilities and Fund Balances			
Liabilities			
Accounts payable and accrued liabilities	$ 1,619,158	$ -	$ 1,619,158
Due to grantor government	685,191	-	685,191
Deferred revenue	351,435	-	351,435
Total Liabilities	2,655,784	-	2,655,784
Fund Balances			
Nonspendable			
Revolving Cash	4,000	-	4,000
Prepaid Expenditures	291,260	-	291,260
Restricted			
Legally Restricted Balance	1,883,404	-	1,883,404
Assigned			
Other Assignments	3,686,859	-	3,686,859
Unassigned			
Economic Uncertainties	1,371,795	740,577	2,112,372
Unassigned	4,420,600	-	4,420,600
Total Fund Balances	11,657,918	740,577	12,398,495
Total Liabilities and Fund Balances	$ 14,313,702	$ 740,577	$ 15,054,279

JEFFERSON UNION HIGH SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - General Funds
Year Ended June 30, 2013

	General Fund	Special Reserve Fund for Other than Capital Outlay Projects	Total
Revenues			
Revenue limit sources			
State apportionments	$ 958,900	$ -	$ 958,900
Local sources	31,752,997	-	31,752,997
Revenue limit transfers	2,373,503	-	2,373,503
Total revenue limit	35,085,400	-	35,085,400
Federal	1,600,968	-	1,600,968
Other state	4,496,909	-	4,496,909
Other local	4,292,269	8,876	4,301,145
Total Revenues	45,475,546	8,876	45,484,422
Expenditures			
Instruction	24,425,982	-	24,425,982
Instruction-related services	4,082,347	-	4,082,347
Pupil services	4,410,267	-	4,410,267
Ancillary services	526,891	-	526,891
General administration	2,687,134	-	2,687,134
Plant services	6,656,077	-	6,656,077
Other outgo	1,471,542	-	1,471,542
Total Expenditures	44,260,240	-	44,260,240
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,215,306	8,876	1,224,182
Other Financing Sources (Uses)			
Operating transfers out	(1,050,000)	-	(1,050,000)
Total Other Financing Sources (Uses)	(1,050,000)	-	(1,050,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	165,306	8,876	174,182
Fund Balances, Beginning	11,492,612	731,701	12,224,313
Fund Balances, Ending	$ 11,657,918	$ 740,577	$ 12,398,495

JEFFERSON UNION HIGH SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue	Capital Projects	Total
Assets			
Cash in county treasury	$ 563,813	$ 616,260	$ 1,180,073
Cash in revolving fund	475	-	475
Accounts receivable	1,619	2,757	4,376
Due from grantor government	237,664	34	237,698
Due from other funds	12,306	-	12,306
Prepaid expenses	8,620	-	8,620
Total Assets	$ 824,497	$ 619,051	$ 1,443,548
Liabilities and Fund Balances			
Liabilities			
Accounts payable and accrued liabilities	$ 174,989	$ 18,403	$ 193,392
Due to other funds	266,757	18,038	284,795
Deferred revenue	453	-	453
Total Liabilities	442,199	36,441	478,640
Fund Balances			
Nonspendable			
Revolving Cash	475	-	475
Prepaid Expenditures	8,620	-	8,620
Restricted			
Legally Restricted Balance	119,695	18,899	138,594
Assigned			
Other Assignments	253,508	563,711	817,219
Total Fund Balances	382,298	582,610	964,908
Total Liabilities and Fund Balances	$ 824,497	$ 619,051	$ 1,443,548

JEFFERSON UNION HIGH SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (By Object)
Year Ended June 30, 2013

	Special Revenue	Capital Projects	Total
Revenues			
Federal	$ 1,133,911	$ -	$ 1,133,911
Other state	63,366	-	63,366
Other local	289,560	260,226	549,786
Total Revenues	1,486,837	260,226	1,747,063
Expenditures			
Certificated salaries	718,137	-	718,137
Classified salaries	753,969	-	753,969
Employee benefits	471,383	-	471,383
Books and supplies	418,783	-	418,783
Services and other operating expenditures	858,263	18,788	877,051
Capital outlay	9,364	-	9,364
Indirect costs	27,050	-	27,050
Total Expenditures	3,256,949	18,788	3,275,737
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,770,112)	241,438	(1,528,674)
Other Financing Sources (Uses)			
Operating transfers in	1,050,000	-	1,050,000
Total Other Financing Sources (Uses)	1,050,000	-	1,050,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(720,112)	241,438	(478,674)
Fund Balances, Beginning	1,102,410	341,172	1,443,582
Fund Balances, Ending	$ 382,298	$ 582,610	$ 964,908

JEFFERSON UNION HIGH SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2013

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Total
Assets				
Cash in county treasury	$ 65,909	$ 327,338	$ 170,566	$ 563,813
Cash in revolving fund	475	-	-	475
Accounts receivable	-	1,619	-	1,619
Due from grantor government	227,635	9,328	701	237,664
Due from other funds	-	-	12,306	12,306
Prepaid expenses	8,261	359	-	8,620
Total Assets	$ 302,280	$ 338,644	$ 183,573	$ 824,497
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued liabilities	$ 90,905	$ 2,923	$ 81,161	$ 174,989
Due to other funds	193,795	72,962	-	266,757
Deferred revenue	453	-	-	453
Total Liabilities	285,153	75,885	81,161	442,199
Fund Balances				
Nonspendable				
Revolving Cash	475	-	-	475
Prepaid Expenditures	8,261	359	-	8,620
Restricted				
Legally Restricted Balance	-	119,695	-	119,695
Assigned				
Other Assignments	8,391	142,705	102,412	253,508
Total Fund Balances	17,127	262,759	102,412	382,298
Total Liabilities and Fund Balances	$ 302,280	$ 338,644	$ 183,573	$ 824,497

JEFFERSON UNION HIGH SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds (By Object)
Year Ended June 30, 2013

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Total
Revenues				
Federal	$ 434,331	$ 699,580	$ -	$ 1,133,911
Other state	10,211	53,155	-	63,366
Other local	83,451	193,070	13,039	289,560
Total Revenues	527,993	945,805	13,039	1,486,837
Expenditures				
Certificated salaries	718,137	-	-	718,137
Classified salaries	345,282	408,687	-	753,969
Employee benefits	332,907	138,476	-	471,383
Books and supplies	98,080	320,703	-	418,783
Services and other operating expenditures	56,537	6,130	795,596	858,263
Capital outlay	-	9,364		9,364
Indirect costs	27,050	-	-	27,050
Total Expenditures	1,577,993	883,360	795,596	3,256,949
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,050,000)	62,445	(782,557)	(1,770,112)
Other Financing Sources (Uses)				
Operating transfers in	1,050,000		-	1,050,000
Total Other Financing Sources (Uses)	1,050,000	-	-	1,050,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	-	62,445	(782,557)	(720,112)
Fund Balances, Beginning	17,127	200,314	884,969	1,102,410
Fund Balances, Ending	$ 17,127	$ 262,759	$ 102,412	$ 382,298

JEFFERSON UNION HIGH SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2013

	Capital Facilities Fund	County School Facilities Fund	Total
Assets			
Cash in county treasury	$ 594,272	$ 21,988	$ 616,260
Accounts receivable	2,757	-	2,757
Due from grantor government	-	34	34
Total Assets	$ 597,029	$ 22,022	$ 619,051
Liabilities and Fund Balances			
Liabilities			
Accounts payable and accrued liabilities	$ 18,403	$ -	$ 18,403
Due to other funds	18,038	-	18,038
Total Liabilities	36,441	-	36,441
Fund Balances			
Restricted			
Legally Restricted Balance	-	18,899	18,899
Assigned			
Other Assignments	560,588	3,123	563,711
Total Fund Balances	560,588	22,022	582,610
Total Liabilities and Fund Balances	$ 597,029	$ 22,022	$ 619,051

JEFFERSON UNION HIGH SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds (By Object)
Year Ended June 30, 2013

	Capital Facilities Fund	County School Facilities Fund	Total
Revenues			
Other local	$ 259,524	$ 702	$ 260,226
Total Revenues	259,524	702	260,226
Expenditures			
Services and other operating expenditures	18,038	750	18,788
Total Expenditures	18,038	750	18,788
Excess (Deficiency) of Revenues Over (Under) Expenditures	241,486	(48)	241,438
Fund Balances, Beginning	319,102	22,070	341,172
Fund Balances, Ending	$ 560,588	$ 22,022	$ 582,610

Supplementary
Information Section

JEFFERSON UNION HIGH SCHOOL DISTRICT
Organization
June 30, 2013

The Jefferson Union High School District (the "District"), established in 1922, is located in the northern portion of San Mateo County. There were no changes in the boundaries of the District during the current year. The District is currently operating four (4) high schools and one (1) continuation high school, and an adult education program.

Governing Board

Name	Office	Term Expires
Thomas A. Nuris	President	November, 2014
Maria S. Luna	Vice President	November, 2014
Kalimah Salahuddin	Clerk	November, 2016
Katherine Zarate Dulany	Trustee	November, 2014
Jeanne L. Matysiak	Trustee	November, 2016

Administration

Thomas Minshew
Superintendent

Steven Fuentes
Associate Superintendent - Business Services

Keith Irish
Associate Superintendent - Education

Sherry Segalas
Associate Superintendent-Pupil Personnel/Special Education Services

JEFFERSON UNION HIGH SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2013

	Second Period Report	Annual Report
High School:		
Grades 9 through 12, regular classes	4,311	4,296
Continuation education	98	97
Home and Hospital	1	1
Special education	165	159
ADA Totals*	4,575	4,553

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

* Excludes County Supplement.

JEFFERSON UNION HIGH SCHOOL DISTRICT
Schedule of Instructional Time
Year Ended June 30, 2013

Grade Level	1982-83 Actual Minutes	1982-83 Reduced Minutes	1986-87 Minutes Reqmt	1986-87 Reduced Minutes Reqmt	2012-13 Actual Minutes	Number of Days Traditional Calendar	2012-13 No. of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 9	54,927	53,401	64,800	63,000	63,576	180	176	-	Complied
Grades 10	54,927	53,401	64,800	63,000	63,576	180	176	-	Complied
Grades 11	54,927	53,401	64,800	63,000	63,576	180	176	-	Complied
Grades 12	54,927	53,401	64,800	63,000	63,576	180	176	-	Complied

Districts, including basic aid districts, must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code* Section 46201. This schedule is required for all districts, including basic aid districts.

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

JEFFERSON UNION HIGH SCHOOL DISTRICT
Schedule of Charter Schools
Year Ended June 30, 2013

Charter Schools chartered by the School District	Included in the School District Audit
None	Not Applicable

JEFFERSON UNION HIGH SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
Year Ended June 30, 2013

General Fund (Fund 01)	(Budget) 2014	2013	2012	2011
Revenues and other financial sources	$ 43,632,580	$ 45,475,546	$ 44,993,852	$ 44,766,554
Expenditures	44,683,203	44,260,240	42,761,763	42,887,851
Other uses and transfers out	925,000	1,050,000	1,125,000	1,310,159
Total outgo	45,608,203	45,310,240	43,886,763	44,198,010
Change in fund balance (deficit)	(1,975,623)	165,306	1,107,089	568,544
Ending fund balance	$ 9,682,295	$ 11,657,918	$ 11,492,612	$ 10,385,523
Available reserves*	$ 4,589,562	$ 6,532,972	$ 5,309,869	$ 6,220,984
Designated for economic uncertainties	$ 2,124,763	$ 2,112,372	$ 1,468,813	$ 1,419,481
Undesignated fund balance	$ 2,464,799	$ 4,420,600	$ 3,841,056	$ 4,079,515
Available reserves as a percentage of total outgo	10.1%	14.4%	12.1%	14.1%
Total long-term debt	$161,100,277	$163,998,299	$125,224,610	$124,162,015
Average daily attendance at P-2	4,525	4,575	4,682	4,653

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.

The General Fund (Fund 01) balance has increased by $1,272,395 over the past two years. This fiscal year 2013-2014 budget projects a decrease of $1,975,623 (17%). For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in the past three years, and anticipates incurring an operating deficit during the 2013-2014 fiscal year. Total long-term debt has increased by $39,836,284 over the past two years.

Average daily attendance has decreased by 78 over the past two years. ADA is anticipated to decrease by 50 in the fiscal year 2013-2014.

* Includes General Fund (Fund 01) and Special Reserve Fund for Other than Capital Outlay Project (Fund 17)

JEFFERSON UNION HIGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Program Name	Federal Catalog Number	PCA	Total Program Expenditures
U.S. Department of Education			
Passed through the California Department of Education:			
Title I Basic	* 84.010	14329	$ 351,177
Special Education Local Assistance	* 84.027	13379	833,489
Department of Rehab - Workability	84.126	10006	86,453
Carl D. Perkins Career and Technical Education Improvement Act of 2006	84.048	14894	75,036
Title II Part A Teacher Quality	84.367	14341	104,621
NCLB Title IV Community Learning	* 84.287	14535 and 14604	76,080
Title III - Immigrant Education	84.365	15146	10,550
Title III - Limited English Proficient Students	84.365	14346	55,798
Adult Education Basic Ed & ESL	84.002	14508	155,629
Adult Education GED Services	84.002	13978	42,138
Adult Education Basic Ed EL Civics	84.002	14109	69,649
Total U.S. Department of Education			1,860,620
U.S. Department of Agriculture			
Passed through the California Department of Education:			
Child Nutrition - National School Lunch Program	* 10.555	13523 and 13524	699,580
U.S. Department of Labor			
Passed through the County of San Mateo			
WIA - Youth Activities	17.259	10055	166,915
Total Federal Awards			$ 2,727,115

* Identified as major programs.

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Jefferson Union High School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

JEFFERSON UNION HIGH SCHOOL DISTRICT
Reconciliation of Annual Financial and Budget Report (SACS)
with Audited Basic Financial Statements
Year Ended June 30, 2013

	General Funds				
	General Fund	Special Reserve Fund for Other than Capital Outlay Projects	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds
June 30, 2013, Annual Financial and Budget Report (SACS) Fund Balances	$ 11,657,918	$ 740,577	$ 36,992,349	$ 7,654,169	$ 964,908
Adjustments and reclassifications increasing (decreasing) the Fund Balances	-	-	-	-	-
June 30, 2013, Audited Basic Financial Statements Fund Balances	$ 11,657,918	$ 740,577	$ 36,992,349	$ 7,654,169	$ 964,908

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on SACS report to the audited basic financial statements.

JEFFERSON UNION HIGH SCHOOL DISTRICT
Notes to Supplementary Information
Year Ended June 30, 2013

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Jefferson Union High School District and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB 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 financial statements.

NOTE 2. SUBRECIPIENTS

Of the federal awards presented in the schedule, Jefferson Union High School District provided no federal awards to subrecipients.

Other Independent Auditors'
<u>Report Section</u>

Vargas and Company
certified public accountants

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

To the Board of Trustees of
Jefferson Union High School District
Daly City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Union High School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Jefferson Union High School District's basic financial statements, and have issued our report thereon dated October 25, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Vargas and Company

Vargas and Company
San Jose, California
October 25, 2013

Vargas and Company
certified public accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133*

To the Board of Trustees of
Jefferson Union High School District
Daly City, California

Report on Compliance for Each Major Federal Program

We have audited Jefferson Union High School District's 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 Jefferson Union High School District's major federal programs for the year ended June 30, 2013. Jefferson Union High School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Jefferson Union High School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Jefferson Union High School 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Jefferson Union High School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Jefferson Union High School District, complied, in all material respects, with the types of 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, 2013.

601 North First Street / San Jose, California 95112 / (408) 298-1700 / Fax (408) 293-9598

Report on Internal Control Over Compliance

Management of Jefferson Union High School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jefferson Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Jefferson Union High School 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 internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vargas and Company
Vargas and Company
San Jose, California
October 25, 2013

Vargas and Company
certified public accountants

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Trustees of
Jefferson Union High School District
Daly City, California

We have audited Jefferson Union High School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13* that could have a direct and material effect on each of Jefferson Union High School District's government programs, as listed below, for the year ended June 30, 2013. Compliance with the applicable compliance requirements is the responsibility of the Jefferson Union High School District's management. Our responsibility is to express an opinion on Jefferson Union High School District's compliance with the applicable compliance requirements based on the compliance 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 the governmental audit requirement described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13*. Those standards require that we plan and perform the compliance 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 the government program occurred. A compliance audit included examining, on a test basis, evidence about the Jefferson Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination of the Jefferson Union High School District's compliance with those requirements.

Compliance requirement on:	Procedures in Audit Guide	Procedures Performed
Attendance reporting	6	Yes
Teacher certification and misassignments	3	Yes
Kindergarten continuance	3	Not applicable
Independent study	23	No (see below)
Continuation education	10	Yes
Instructional time for:		
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

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Compliance requirement on:	Procedures in Audit Guide	Procedures Performed
Juvenile Court Schools	8	Not applicable
Class size reduction (including charter schools):		
General requirements	7	Not applicable
Option one	3	Not applicable
Option two	4	Not applicable
Districts 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
For Charter Schools:		
Contemporaneous records of attendance	1	Not applicable
Mode of instruction	1	Not applicable
Nonclassroom-based instruction/independent study	15	Not applicable
Determination of funding for nonclassroom-based instruction	3	Not applicable
Annual instructional minutes – Classroom based	4	Not applicable

We did not perform testing for independent study because the independent study ADA was under the level that requires testing.

In our opinion, Jefferson Union High School District complied, in all material respects, with the applicable compliance requirements referred to above that could have a direct and material effect on each of its government program for the year ended June 30, 2013.

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

Vargas and Company

Vargas and Company
San Jose, California
October 25, 2013

Findings and Recommendations Section

JEFFERSON UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified.
Internal control over financial reporting:	
• Material weakness(es) identified?	No.
• Significant deficiency(ies) identified?	None reported.
Noncompliance material to financial statements noted?	No.

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No.
• Significant deficiency(ies) identified?	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 section 510(a) of Circular A-133?	No.

Identification of major programs:

CFDA Number	*Name of Federal Program or Cluster*
84.010	Title I Basic
84.027	Special Education Local Assistance
84.287	NCLB Title IV Community Learning
10.555 & 10.553	Child Nutrition (Cluster)

Dollar threshold used to distinguish between type A and type B programs	$300,000.
Auditee qualified as low-risk auditee?	Yes.

JEFFERSON UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2013

State Awards

Type of auditors' report issued on compliance for state programs:	Unqualified.

Section II - Financial Statement Findings

Our audit of the accompanying basic financial statements of Jefferson Union High School District as of and for the year ended June 30, 2013, disclosed no findings and questioned costs.

Our report on Jefferson Union High School District's internal control over financial reporting and compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards,* as of and for the year ended June 30, 2013, disclosed no findings nor questioned costs.

Section III - Federal Award Findings and Questioned Costs

Our report on Jefferson Union High School District's compliance for each major program and on internal control over compliance required by *OMB Circular A-133,* as of and for the year ended June 30, 2013, disclosed no findings nor questioned costs.

Section IV - State Award Findings and Questioned Costs

Our report on Jefferson Union High School District's compliance with state compliance requirements, as of and for the year ended June 30, 2013, disclosed no findings nor questioned costs.

JEFFERSON UNION HIGH SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

Section I – Financial Statement Findings

Our audit of the basic financial statements of Jefferson Union High School District as of and for the year ended June 30, 2012, disclosed no findings and questioned costs.

Our report on Jefferson Union High School District's internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards,* as of and for the year ended June 30, 2012, disclosed no findings nor questioned costs.

Section II – Federal Award Findings and Questioned Costs

Our report on Jefferson Union High School District's 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,* as of and for the year ended June 30, 2012, disclosed no findings nor questioned costs.

Section III - State Award Findings and Questioned Costs

Our report on Jefferson Union High School District's compliance with state compliance requirements, as of and for the year ended June 30, 2012, disclosed no findings nor questioned costs.

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APPENDIX C

PROPOSED FORMS OF OPINIONS OF BOND COUNSEL

Upon issuance and delivery of the Series 2014A Refunding Bonds, Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, proposes to render its final approving opinion with respect to the Series 2014A Refunding Bonds in substantially the following form:

[Closing Date]

Governing Board
Jefferson Union High School District
699 Serramonte Blvd. Suite 100
Daly City, California 94015

OPINION: $________ Jefferson Union High School District
(County of San Mateo, California)
General Obligation Refunding Bonds,
Series 2014A (Tax Exempt)

Members of the Governing Board:

We have acted as bond counsel to the Jefferson Union High School District (the "District") in connection with the issuance by the District of its Jefferson Union High School District (County of San Mateo, California) General Obligation Refunding Bonds, Series 2014A (Tax Exempt) in the aggregate principal amount of $________ (the "Bonds"), under Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code (the "Bond Law") and under a resolution of the Governing Board of the District adopted on August 5, 2014 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

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

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

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

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

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

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

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

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

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

Upon issuance and delivery of the Series 2014B Refunding Bonds, Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, proposes to render its final approving opinion with respect to the Series 2014B Refunding Bonds in substantially the following form:

[Closing Date]

Governing Board
Jefferson Union High School District
699 Serramonte Blvd. Suite 100
Daly City, California 94015

OPINION: $__________ Jefferson Union High School District
(County of San Mateo, California)
General Obligation Refunding Bonds,
Series 2014B (Federally Taxable)

Members of the Governing Board:

We have acted as bond counsel to the Jefferson Union High School District (the "District") in connection with the issuance by the District of its Jefferson Union High School District (County of San Mateo, California) General Obligation Refunding Bonds, Series 2014B (Federally Taxable) in the aggregate principal amount of $__________ (the "Bonds"), under Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code (the "Bond Law") and under a resolution of the Governing Board of the District adopted on August 5, 2014 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

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

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

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

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

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

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

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

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$_________	**$_________**
JEFFERSON UNION HIGH SCHOOL DISTRICT	**JEFFERSON UNION HIGH SCHOOL DISTRICT**
(County of San Mateo, California)	**(County of San Mateo, California)**
General Obligation Refunding Bonds,	**General Obligation Refunding Bonds,**
Series 2014A (Tax Exempt)	**Series 2014B (Federally Taxable)**

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the Jefferson Union High School District (the "District") in connection with the issuance of $___________ aggregate principal amount of Jefferson Union High School District School District (County of San Mateo, California) General Obligation Refunding Bonds, Series 2014A (Tax Exempt) and the $___________ aggregate principal amount of Jefferson Union High School District School District (County of San Mateo, California) General Obligation Refunding Bonds, Series 2014B (Federally Taxable) (collectively, the "Bonds"). The Bonds are being issued under a resolution adopted by the Governing Board of the District on August 5, 2014 (the "Bond Resolution"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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

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

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

"*Holder*" shall mean the person in whose name any Bond shall be registered.

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

"*MSRB*" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"*Official Statement*" means the Official Statement, dated September __, 2014 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

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

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing March 31, 2015, with respect to the report for the 2013-2014 Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4; *provided, however*, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e). The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send or cause to be sent a notice to the MSRB, in substantially the form attached as Exhibit A.

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

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

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

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

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB 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 provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding clause (a), the Annual Report shall contain information showing:

(i) the average daily attendance in District schools by grade level for the preceding fiscal year and for the current budget year;

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

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

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

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

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

(vii) current fiscal year assessed valuation of taxable properties in the District, including assessed valuation of the top ten properties.

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

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

Section 5. <u>Reporting of Significant Events</u>.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

(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) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(6) tender offers;

(7) defeasances;

(8) rating changes; or

(9) bankruptcy, insolvency, receivership or similar event of the obligated person.

For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) 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, not later than ten business days after the occurrence of the event:

(1) unless described in paragraph 5(a)(v), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(2) modifications to rights of Bond Holders;

(3) optional, unscheduled or contingent Bond calls;

(4) release, substitution, or sale of property securing repayment of the Bonds;

(5) non-payment related defaults;

(6) 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; or

(7) appointment of a successor or additional paying agent or the change of name of a paying agent.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4, as provided in Section 4(b).

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the District shall determine if such event would be material under applicable federal securities laws.

(e) If the District learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

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

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

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

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

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

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

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

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

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

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

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the District has provided such information to the Dissemination Agent as required by this Disclosure Certificate. The Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Dissemination Agent shall have no duty or obligation to review or verify any District Annual Report, District Audited Financial Statements, Listed Events or any other information, disclosures or notices provided to it by the District and shall not be deemed to be acting in any fiduciary capacity for the District, the Holders of the Bonds or any other party. The Dissemination Agent shall have no responsibility for the District's failure to report a Listed Event to the Dissemination Agent. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the District has complied with this Disclosure Certificate. The Dissemination Agent may conclusively rely upon certifications of the District at all times.

The District agrees to indemnify and save the Dissemination Agent and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct.

The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and the Dissemination Agent shall in no event incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the District.

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

Dated: ________, 2014

JEFFERSON UNION HIGH SCHOOL DISTRICT

By ______________________________
Superintendent

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	Jefferson Union High School District
Name of Bond Issue:	$_________ aggregate principal amount of Jefferson Union High School District (County of San Mateo, California) General Obligation Refunding Bonds, Series 2014A (Tax Exempt) $_________ aggregate principal amount of Jefferson Union High School District (County of San Mateo, California) General Obligation Refunding Bonds, Series 2014B (Federally Taxable)
Date of Issuance:	________, 2014

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

Dated:

JEFFERSON UNION HIGH SCHOOL DISTRICT

By: _________________________________

Authorized Officer

APPENDIX E

SAN MATEO COUNTY INVESTMENT POLICIES AND PRACTICES; DESCRIPTION OF INVESTMENT POOL

The following information has been furnished by the Office of the Treasurer/Tax Collector, County of San Mateo. It describes (i) the policies applicable to investment of District funds, including bond proceeds and tax levies, and funds of other agencies held by the County Treasurer and (ii) the composition, carrying amount, market value and other information relating to the investment pool. Further information may be obtained directly from the Treasurer/Tax Collector, 555 County Center, 1st Floor, Redwood City, CA 94063.

Neither the District nor the Underwriters has made an independent investigation of the investments in the County Investment Pool (the "Investment Pool") or an assessment of the current Statement of Investment Policy (the "Investment Policy"). The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County may change the Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein.

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SAN MATEO COUNTY

Investment Policy Statement

Calendar Year 2014

Approved by the
San Mateo County Board of Supervisors
Date: February 11, 2014
Resolution: 073016

Table of Contents

SAN MATEO COUNTY

Investment Policy Statement

Calendar Year 2014

I. Introduction

It is the policy of the San Mateo County Treasurer to invest public funds in a manner which will provide maximum security of principal invested with secondary emphasis on providing adequate liquidity to pool participants, achieving the highest yield while conforming to all applicable statutes and resolutions governing the investment of public funds.

To meet liquidity and long term investing needs, the County has established the County Investment Pool. This fund is suitable for planned expenditures or capital funds.

II. Delegation of Authority

By Resolution #073015, effective February 11, 2014, the County Board of Supervisors has delegated to the Treasurer authority to invest and reinvest the funds of the County and other depositors as specified in California Government Code Sections §27000.1 and §53607 for the period calendar year 2014. The Treasurer may delegate investment authority to such persons within the Treasurer's Department as deemed appropriate.

III. Policy Statement

This Investment Policy establishes cash management and investment guidelines for the Treasurer, and those to whom he/she delegates investment authority, who are responsible for the stewardship of the San Mateo County Pooled Investment Fund. Each transaction and the entire portfolio must comply with California Government Code and this Policy. All portfolio activities will be monitored and judged by the standards of this Policy and its investment objectives. Activities that violate its spirit and intent will be considered contrary to policy.

The Treasurer will annually render to the Board of Supervisors and any Oversight Committee a statement of investment policy, which the Board shall review and approve at a public meeting. Any change in the policy shall also be reviewed and approved by the Board at a public meeting.

IV. Standard of Care

The Treasurer is a fiduciary of the pooled investment fund and therefore subject to the prudent investor standard. The Treasurer, employees involved in the investment process and members of the San Mateo County Treasury Oversight Committee shall refrain from all personal business activities that could conflict with the management of the investment program.

All individuals involved will be required to report all gifts and income in accordance with California state law. (See Section XXI)

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the Treasurer, and those to whom he/she delegates investment authority, shall act with due professional care, skill, prudence and diligence taking into consideration circumstances then prevailing, including, but limited to, general economic conditions and anticipated needs of the County and other depositors. This should be accomplished with the care that a prudent person acting in a like capacity would use to safeguard the principal and maintain the liquidity needs of the County and other depositors.

As outlined in the California Government Code Section §27000.3, the standard of prudence to be used by the County investment officers shall be the "prudent investor" standard and shall be applied in the context of managing the portfolio. Investment officers shall act in accordance with written procedures and the investment policy, exercise due diligence, report in a timely fashion, and implement appropriate controls for adverse development.

V. Investment Objectives

The San Mateo County Pool shall be prudently invested in order to preserve principal while earning a reasonable rate of return while awaiting application for governmental purposes. Investments should be made with precision and care considering the safety of the principal investment, as well as the income to be derived from the investment. The specific objectives for the program are ranked in order of importance:

A. Safety of Principal - The Treasurer shall seek to preserve principal and minimize capital losses by mitigating credit risk and market risk as follows:

Credit Risk - Defined as an issuer(s) ability and willingness to repay interest and principal. Credit risk shall be minimized by diversifying the fund among issues and issuers so that the failure of any one issue or issuer would not result in a significant loss of income or principal to participants. Credit rating evaluations for all securities are monitored on a consistent basis.

Market Risk - Defined as the risk of market value fluctuations due to changes in the general level of interest rates. Because longer-term securities generally have greater market risk than shorter-term securities; market risk will be minimized by establishing the maximum Weighted Average Maturity of the pool at three years. The maximum allowable maturity for any instrument in the pool at time of purchase is 7 years (Treasuries and Agencies only). Occasional market losses on individual securities are inevitable with active portfolio management and must be considered within the context of the overall investment return.

B. Liquidity

The Treasurer's Office attempts to match maturities with its 15 month projected cash flow. The nature of the planning process behind the cash flow of the pool is relatively predictable and less volatile than is the case of discretionary money.

This allows leeway for some of the underlying investments in the County Pool to maintain a somewhat longer duration.

C. Yield

The County Pool is designed as an income fund to maximize the return on investable funds over various market cycles, consistent with the pool's first priority of safeguarding principal. Yield will be considered only after the basic requirements of safety and liquidity have been met. The County Pool is managed as an income fund whose purpose is to provide its investors with a reasonably predictable level of income, as opposed to a growth fund or fund measured on the basis of total return.

VI. Management Style and Strategy

This policy describes the County's strategic investment objective, risk tolerance and investment constraints. The County Treasurer or designee, at the Treasurer's discretion, prepares an economic outlook and evaluates the capital markets environment. The investment programs reflect a common strategy that is based on conservative principles of fixed income portfolio management consistently applied in a disciplined fashion.

VII. Authorized Investments

Subject to the limitations set forth in California Government Code §53600 et seq. which may be amended from time to time, the Treasurer may invest in the following instruments, subject to the limits described in the following sections. Long-term credit ratings, where shown, specify the minimum credit rating category required at time of purchase without regard to modifiers (e.g. +/- or 1,2,3) if any. As noted previously, all securities purchased shall be regularly monitored and re-evaluated should their ratings be downgraded below the minimum investment grade level required of the Pool. The Treasury Oversight Committee will be notified, within 10 days of any security downgrades that fall below the pool's investment standards and the course of action to be taken if any. In addition the information will be posted on the Treasurer's website within the same time frame. Decisions regarding the holding of, or the potential sale of, securities are based on factors such as remaining time to maturity and the need for liquidity in the Pool.

Where a percentage limitation of eligible security percentages and maximum maturity is established, for the purpose of determining investment compliance, that maximum amount will be applied on the date of trade settlement. Therefore, depending on the liquidation of other securities and the performance of other securities in the pool, the percentage of the pool of any given security or instrument could exceed the initial percentage limitations without violating the Investment Policy.

A. U.S. Treasury Securities

United States Treasury bills, notes, bond or certificates of indebtedness, for which the full faith and credit of the United States is pledged for the payment of principal and interest. The maximum maturity of U.S. Treasury Securities is 7 years.

B. U.S. Government Agency/GSE (Government Sponsored Enterprise)

Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government sponsored enterprise. The maximum percent of the fund per issuer is 40%. The maximum percent of the fund for U.S. Agencies Callables Securities is 25%. U.S. Government Agency/GSE securities must be rated AA, long-term, or A-1, Short-term, or better by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). The maximum maturity for Agency Securities is 7 years.

C. Commercial Paper

At the time of purchase, commercial paper must be rated either A-1/P-1/F1 or better by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch) and a long term rating of single A or better when applicable. Eligibility is limited to U.S. organized and operating corporations. Corporations must have assets in excess of $5 Billion, and have an A rating or better on the issuer's debt other than commercial paper by at least two of the three nationally recognized rating services. Maturities may not exceed 270 days. Purchases of commercial paper will not exceed 40% of the pool's investable money.

D. Negotiable Certificates of Deposit

Negotiable certificates are negotiable money market instruments that trade on the open market. At the time of purchase, negotiable certificates of deposit must be rated either A-1/P-1/F1 or better by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch) and a long term rating of single A or better when applicable. These certificates must be issued by a U.S. National or State chartered bank or state or federal association (as defined by section 5102 of the California Financial Code) or by a state licensed branch of a foreign bank. Eligible foreign banks must have branches or agencies in the U.S. Issuers must be a corporation with total assets in excess of $5 Billion. Purchases of Negotiable Certificates of Deposit will not exceed 30% of the pool.

E. Bankers Acceptance

A Bankers Acceptance (BA) is a draft drawn and accepted by banks that is based upon funds that will pay its face value at maturity. The security is normally traded at a discounted price. Because the accepting institution is obligated to pay for the bill, a Bankers Acceptance is considered less risky than commercial paper.

At the time of purchase, BAs must be rated A-1/P-1/F1 or better by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch) and a long term rating of single A or better if applicable. BAs are primarily used to finance international trade. BAs are timed drafts (bills of exchange) drawn on and accepted by a commercial bank Issuers must be a corporation with total assets in excess of $5 Billion. Purchases of Bankers Acceptances will not exceed 15% of the pool for domestic commercial banks and 15% of the pool for foreign commercial banks.

F. Certificates of Deposit

Collateralized Certificates of Deposit must comply with Bank Deposit Law. Purchases of Collateralized Certificates of Deposit will not exceed 15% of the pool.

G. Asset Backed Securities

The issuer of these securities must be rated "AAA" by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). Securities shall have a maximum remaining maturity of five years. Purchases of Asset Backed Securities will not exceed 20% of the pool.

The allowable types of Asset Backed Securities include the following:

1. U.S. Government Agency Mortgage pass-through securities.
2. Collateralized Mortgage Obligations (CMO) where the underlying mortgages have U.S. government backing.
3. Equipment lease back certificates.
4. Consumer receivable backed bonds.
5. Auto loan receivable backed bonds.

H. Corporate Securities

The maximum maturity for corporate securities is five years. Eligible securities shall be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. At the time of purchase, corporate securities must be rated A or better by at least two of the three nationally recognized rating services (S&P, Moody's and Fitch). Securities in this classification must be dollar denominated and registered with the Securities and Exchange Commission and be publicly traded or at least have undergone shelf registration. If a security is owned and downgraded below the pool's investment standards, the Treasury Oversight Committee will be notified within 10 days of any security downgrades that fall below the pool's investment standards and the course of action to be taken if any. In addition, the information will be posted on the Treasurer's website within the same time frame.

Purchases of Corporate Securities shall not exceed 30% of the pool. At the time of purchase, a maximum of 25% of the entire core position of 30% can be rated single A. The remaining 75% must be AA rated or higher. There is a 5% limitation of the fund in any single issuer of Corporate Securities, however, the Pool has a target of holding no more than 3%. The 3% target may be exceeded under exceptional circumstances. (i.e.: peak tax collection periods, G.O. Bond issuances, etc.) when there is a large influx of cash.

I. Repurchase Agreements

Repurchase Agreements must be executed with dealers with whom the County has written agreements and are either banking institutions that meet the rating requirements of this policy or dealers who report to the Market Reports Division of the Federal Reserve Bank of N.Y. (Primary Dealers). All transactions must be collateralized at 102% of current value plus accrued interest and must be marked to market daily. The only acceptable collateral for these transactions include Treasuries or Agencies with a maximum maturity of seven years.

For purposes of this authorized investments section, the term “Repurchase Agreement” means a purchase of a security by the County pursuant to an agreement by which the seller will repurchase the securities on or before a specified date and for a specified dollar amount and will deliver the underlying securities to the County by book entry. All County pool transactions are conducted through the County custodian on a payment vs. delivery basis. When the transaction is unwound, the transfer of the underlying securities will revert to the counter party’s bank account by book entry. The term “Counter party” means the other party to the transaction with the County. The Counter Party, or its parent, must have a short-term rating of A-1, P-1 or F1 by at least two of the three nationally recognized rating services (S&P, Moody’s and Fitch). The maximum allowable term of a repurchase agreement shall not exceed 92 days.

J. Local Agency Investment Fund (LAIF)

The Local Agency Investment Fund (LAIF) is an investment fund run by the Treasurer of the State of California to pool local agency monies. LAIF will be used as a comparative fund to the County’s pool. The maximum percent of the fund that can be invested is up to the current State limit.

K. Registered Warrants

In accordance with Government Code §17202 **–** All registered warrants issued by the state are legal investments for all:

1. Trust funds.
2. Funds of all insurers.
3. Funds of savings and loan associations.
4. Funds of all banks, including any legal combination of commercial banks, savings banks and trust companies.
5. Funds of all counties, municipal corporations, districts, public corporations, political subdivisions, or state agencies.

L. Mutual Funds

Shares of beneficial interest issued by diversified management companies as defined in Government Code Section § 53601. Purchases of Mutual Funds will not exceed 10%.

VIII. Security Lending

Security Lending is a temporary exchange of portfolio assets for acceptable collateral between a lender and an approved borrower. The additional income generated from this transaction can be used to enhance portfolio performance. This process can be summarized in three key steps:

A. The Security Lending agent lends securities from our portfolio to an approved borrower at a negotiated rate. The negotiated rate is dependent upon the level of demand for the securities.

B. The Security Lending agent invests the cash collateral in highly liquid, short duration, high credit quality instruments approved by our investment policy.

C. The earnings generated net of rebates from these transactions are split between the third party agent and the County based on the contract agreement.

Our contract with The Bank of New York requires daily reporting of the securities borrowed, the borrowers, and the short term investments made with the collateral. The County retains the right to recall securities at any given time; cutoffs are 9:30 a.m. eastern standard time for same day recalls of treasuries/agencies and 1:30 p.m. eastern standard time on trade date for corporates. We also require acknowledgement of the County Investment Policy, and check the adherence to that policy daily.

All securities purchased with any funds received as a result of such lending shall be regularly monitored and re-evaluated. Should their ratings fall below the pool's investment standards, the Treasury Oversight Committee will be notified within 10 days of any security downgrades that fall below the pool's investment standards and the course of action if any. In addition the information will be posted on the Treasurer's website within the same time frame.

Additionally, the percentage of the Fund's market value in any one issuer's securities shall be regularly monitored and the Treasury Oversight Committee will be notified within 10 days, and the information posted on the Treasurer's website, of any instances where the percentage of the Fund's market value in any one issuer's securities exceeds the percentage limitations set forth herein or where there is any change in diversification and the course of action, if any.

There are always risks in any financial transaction. The three most common risks in Security Lending are as follows:

A. Borrower Default Risk – Although rare, a borrower may not return a security in a timely manner. To protect against this risk, we require 102% cash collateral, which is marked to market and monitored daily. In the event of borrower default, the Security Lending agent is responsible for replacing the securities or providing the cash value of the securities. In other words, The Bank of New York indemnifies the County of San Mateo against borrower default.

B. Collateral Investment Risk – The value of the securities in which we invest the cash collateral may decline due to fluctuations in interest rates or other market related events. This risk is controlled by investing in a huge investment pool with highly liquid short duration, high credit quality instruments identified in this investment policy.

C. Operational Risks – critical operations, such as maintaining the value of the collateral, collecting interest and dividend payments are essential to a smooth running Security Lending operation. Operational risks are the responsibility of the Security Lending agent. We further mitigate this risk by reviewing all transactions and collateral requirements on a daily basis.

Schedule 1 – Securities Lending

Securities Loans

- No more than 5% of the Pool can be on loan to any single counterparty.
- A single loan shall not exceed 3% of the total portfolio.
- The maximum maturity of a securities loan shall not exceed 92 days.

Collateral

Acceptable Collateral
U.S. Treasuries and Agencies and cash

Collateral Investment
The only authorized investments are shown in the following table. No floating or reset notes are permitted.

"Fund" means actual market value of all securities lending collateral.

INSTRUMENT	RATING	-------------	LIMITATIONS	----------
		% of Fund	% of Fund per Issuer	Maturity
U.S. Treasury Obligations		100	100%	1 year
Obligations of U.S. Agencies or government sponsored enterprises	AA or A-1	100	40% per issuer	1 year
Repurchase agreements secured by U.S. Treasury or agency obligation (102% collateral)	A-1	100	50%	overnight
Bankers Acceptances Domestic Foreign	A-1 / P-1/ F1	 15 15	 5% Aggregate 5% Aggregate	 180 days 180 days
Commercial paper	A-1 / P-1 / F1	40	5% Aggregate	270 days or less

Other

Agent Qualifications
The only acceptable Agent is the Pool's custodian bank.

Contract Provisions
The Agent must indemnify the Pool against borrower default.

The Agent must acknowledge and accept the Policy in writing. A copy of this acceptance will be attached to future policies.

The Agent must submit monthly reports showing securities out on loan (terms and borrowers), defaults, earnings, and the percent by sector of Pool assets out on loan as well as information on the collateral investments (including market values, income and realized and unrealized gains and losses).

Oversight
The Treasurer shall include copies of the Agent's most recent report with his reports to the Treasury Oversight Committee.

IX. Community Reinvestment Act Program

A. This policy sets aside up to $5 million dollars for investment in banks whose primary operations are located in San Mateo County. Investments from this fund must meet the requirements of this investment policy. Eligible banks must have Community Reinvestment Act performance ratings of "satisfactory" or "outstanding" from each financial institution's regulatory authority. In addition, deposits greater than the federally-insured amount must be collateralized. Banks must place securities worth between 110% and 150% of the value of the deposit with a custodial bank.

X. Diversification and Maturity Restrictions

It is the policy of the Treasurer to diversify the Fund's portfolios. Investments are diversified to minimize the risk of loss resulting in over concentration of assets in a specific maturity, specific issuer or a specific class of securities. Diversification strategies shall be established by the Treasurer and Assistant Treasurer.

INSTRUMENT	RATING	% of Fund	LIMITATIONS % of Fund per Issuer	Maturity
U.S. Treasury Obligations		100%	100%	7 years
Obligations of U.S. Agencies or government sponsored enterprises	AA or A-1	100%	40%	7 years
U.S. Agencies Callables	AA		25%	7 years

INSTRUMENT	RATING	% of Fund	LIMITATIONS % of Fund per Issuer	Maturity
Bankers Acceptances *Domestic: ($5 billion minimum assets) *Foreign: ($5 billion minimum assets)	A-1 / P-1/ F1	15% 15%	5% Aggregate 5% Aggregate	180 days 180 days
Collateralized Time Deposits within the state of CALIFORNIA	A-1/P-1/ F1	15%	5% Aggregate	1 year
Negotiable Certificates of Deposit ($5 billion minimum assets)	A-1/P-1/ F1	30%	5% Aggregate	5 years
Commercial paper	A-1/P-1/ F1	40%	5% Aggregate	270 days or less
Repurchase Agreements secured by U.S. Treasury or agency obligation (102% collateral)	A-1	100%	See limitations for Treasuries and Agencies above	92 days
Corporate bonds, Medium Term Notes & Covered Bonds (two agencies)	AA/A A	30% 25% of the 30% above	5% Aggregate	5 years
Local Agency Investment Fund (LAIF)			Up to the current state limit	
Shares of beneficial interest issued by diversified management companies as defined in Government Code Section§ 53601(Mutual Funds)	Money Market A-1/P-1	10%	5% Aggregate	
Mortgage Backed Securities/CMO's: No Inverse Floaters No Range Notes No Interest only strips derived from a pool of Mortgages	A	20%	5% Aggregate	5 Years
Asset Backed Securities	AAA	20%		5 Years

XI. Average Life

The maximum dollar weighted average maturity of the fund will be 3 years. The focus of this fund is in order of priority: preservation of principal, liquidity and then yield. The policy of maintaining a maximum dollar weighted maturity or weighted average maturity (WAM) of 3 years leaves open the flexibility to take advantage of interest rate trends to maximize the return on investment. The imposed maximum 3 year average maturity limits the market risk to levels appropriate to a short, intermediate income fund. The word “Maturity” refers to the instrument’s stated legal final redemption date - not coupon reset, put or call dates.

Securities purchased specifically to match the maturity of a bond issue and/or a contractual arrangement must be authorized by California Government Code §53601 and §53635 but are not included in the requirements listed above. Such securities shall be clearly designated in the appropriate investment journals and reports.

XII. Prohibited Transactions

At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy and with California Government Code Sections §53601, §53601.1, §53601.2, §53601.6, and §53635, as may be amended from time to time. No investment prohibited by California Government Code shall be permitted herein.

Any investment transactions, credit risk criterion, percentage limitations or market valuation that are not in compliance with this Investment Policy **at time of purchase** must be documented and approved by the Treasurer in writing. Thereafter, action shall be taken by the Treasurer to correct such matter as soon as practical. If a percentage restriction is adhered to at the time of purchase, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction.

The Treasurer shall not leverage the County pool through any borrowing collateralized or otherwise secured by cash or securities held unless authorized by this investment policy.

Security Lending is authorized by this policy and will be limited to a maximum of 20% of the portfolio.

The following transactions are prohibited:

A. Borrowing for investment purposes (“Leverage”)

B. Inverse floaters, leveraged floaters, equity-linked securities, event-linked securities, structured investment vehicles (SIV)

Simple “floating rate notes” whose periodic coupon adjustment is based on a short-term (one-year or less) rate index (such as Treasury bills, federal funds, prime rate or LIBOR) and which have a reasonable expectation of maintaining a value at par at each interest rate adjustment through final maturity, are exempt from this definition. Additionally, U.S. Treasury and Agency zero coupon bonds, U.S. Treasury and Agency strips, Resolution Funding Corporation (REFCORP) strips or other callable securities which otherwise meet quality, maturity and percent limitations assigned to their respective security category, are exempt from this section.

C. Derivatives (e.g. swaptions, spreads, straddles, caps, floors, collars, etc.) shall be prohibited.

D. Trading of options and futures are prohibited.

XIII. Method of Accounting:

A. For earnings calculations, investments will be carried at original purchase cost (plus purchased accrued interest, if applicable). Premiums or discounts acquired in the purchase of securities will be amortized or accreted over the life of the respective securities. For GASB purposes, investments will be carried at cost and marked to market.

B. Gains or losses from investment sales will be credited or charged to investment income at the time of sale. All interest income, gains/ losses are posted quarterly.

C. Premiums paid for callable securities will be amortized to the 1st call date after purchase.

D. Purchased accrued interest will be capitalized until the first interest payment is received. Upon receipt of the first interest payment, the funds will be used to reduce the investment to its principal cost with the remaining balance credited to investment income.

E. Yield is calculated on an accrual basis using a 365-day calendar year. Earnings are calculated as follows:

$$\frac{\text{(Earnings* + Capital Gains) - (Banking Cost +Fees+Amortized Premiums + Capital Losses)}}{\text{Average Daily Pool Balance}}$$

* Earnings equal net interest payments + accrued interest + accreted discounts.

F. The County Pool is operated as a single investment pool in which the banking and reporting services, required by the participant, will determine level of charges assigned to the account. Funds that generate specific volume of related banking charges such as payroll, extra reporting, etc. (variable costs) will be charged both fixed and variable banking costs as well as administrative fees before interest allocation and will be designated as Pool 1. Those funds that do not generate excessive banking cost but utilize the basic banking services (fixed costs) will be designated as Pool 2 and charged fixed banking costs and administrative fees. The final classification is designated as Pool 3 and represents those funds that have only an incidental use of the County banking system and therefore only pay administrative fees.

G. Effective July 1, 2014, the 3-pool accounting methodology will be eliminated. The County Pool will be operated as a single investment pool. Banking and reporting services required by a participant will be charged directly to the participant. All participants will be charged an administrative fee.

F. The administrative fee is 11.5 basis points and will be evaluated annually.

XIV. Safekeeping

All deliverable security transactions, including collateral for repurchase agreements, entered into by the Treasurer shall be conducted on a Delivery-versus-Payment basis (DVP)

All deliverable securities shall be held by a third party custodian designated by the Treasurer. The third party custodian shall be required to issue a safekeeping statement to the Treasurer listing the specific instrument, rate, maturity and other pertinent information.

XV. Performance Evaluation

The Treasurer shall submit monthly, quarterly and annual reports, in compliance with Government Code Sections §53607, §53646 and §27134, to the Treasury Oversight Committee, Pool participants and the Board of Supervisors. These reports shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and shall be in compliance with Government Code. This includes the type of investments, name of issuer, maturity date, par and dollar amount of the investment. For the total Pooled Investment Fund, the report will list average maturity, the market value and the pricing source. Additionally, the report will show any funds under the management of contracting parties, a statement of compliance to the Policy and a statement of the Pooled Investments Fund's ability to meet the expected expenditure requirements for the next 6 months. In accordance with GASB Statements 31 and 40, the Treasurer shall provide financial information on the treasury for the County's Comprehensive Annual Financial Report.

XVI. Withdrawal Requests for Pool Participants

A. Any request to withdraw funds shall be released at no more than 20% per month.

B. April and December current secured tax apportionments and property tax revenue which had previously been distributed to redevelopment agencies prior to their dissolution, and which, effective as of February 1, 2012, shall be distributed to Redevelopment Property Tax Trust Funds will be exempt from the 20% withdrawal rule.

C. Any additional withdrawal requests will be considered on a case-by-case basis.

D. All requests for withdrawals must first be made in writing to the Treasurer, at a minimum, 24 hours in advance.

In accordance with the California Government Code § 27136 et seq, and 27133 (h) et seq, these requests are subject to the Treasurer's consideration of the stability and predictability of the pooled investment fund, or the adverse effect on the interests of the other depositors in the pooled investment fund.

XVII. Internal Controls

The County Treasurer shall establish internal controls to provide reasonable assurance that the investment objectives are met and to ensure that the assets are protected from loss, theft, or misuse. The County Treasurer shall also be responsible for ensuring that all investment transactions comply with the County's investment policy and the California Government Code.

The County Treasurer shall establish a process for daily, monthly, quarterly and annual review and monitoring of investment program activity.

Daily, the County Treasurer or authorized treasury personnel shall review the investment activity, as well as corresponding custodial and commercial bank balances and positions for compliance with the investment policy and guidelines. The County Controller's Office shall conduct an annual audit of the investment program's activities. It is to be conducted to determine compliance with the County's investment policy and the Government Code. The audit shall be conducted by staff with experience in auditing large, complex investment programs consistent with industry standards as promulgated by the Global Investment Performance Standards (GIPS) adopted by the CFA Institute Board of Governors.

A. Investment Authority and Responsibility

The responsibility for conducting the County's investment program resides with the Treasurer, who supervises the investment program within the guidelines set forth in this policy. The Treasurer may delegate the authority for day-to-day investment activity to the Assistant Treasurer.

B. County Treasury Oversight Committee

The Board of Supervisors, in consultation with the Treasurer, hereby establishes the County Treasury Oversight Committee pursuant to California Government Code § 27130 et seq. Members of the County Treasury Oversight Committee shall be selected pursuant to California Government Code §27131. The Treasury Oversight Committee will meet at least three times a year to evaluate general strategies and to monitor results and shall include in its discussions the economic outlook, portfolio diversification, maturity structure and potential risks to the County pool's funds. All actions taken by the Treasury Oversight Committee are governed by rules set out in § 27131 et seq. of the California Government Code.

Members of the County Treasury Oversight Committee must pay particular attention to the California Government Code § 27132.1, 27132.2, 27132.3 and 27132.4, which read as follows:

27132.1 A member may not be employed by an entity that has (a) contributed to the campaign of a candidate for the office of local treasurer, or (b) contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the county treasury, in the previous three years or during the period that the employee is a member of the committee.

27132.2 A member may not directly or indirectly raise money for a candidate for local treasurer or a member of the governing board of any local agency that has deposited funds in the county treasury while a member of the committee.

27132.3 A member may not secure employment with bond underwriters, bond counsel, security brokerages or dealers, or with financial services firms, with whom the Treasurer is doing business during the period that the person is a member of the committee or for one year after leaving the committee.

27132.4 Committee meetings shall be open to the public and subject to the Ralph M. Brown Act (chapter 9 (commencing with section 54950) of Part 1 of Division 2 of Title 5).

C. Reporting

The Treasurer will prepare a monthly report for the County pool participants and members of the County Treasury Oversight Committee stating, for each investment: the type of investment, name of the issuer, maturity date, par value of the investment, current market value and the securities S&P/Moody's rating. For the total pooled investment fund, the report will list average maturity, effective duration, cost, the current market value, net gains/losses and the sector and issuer concentrations. In addition, the report will break down distribution by maturities, coupon, duration and both S&P/Moody's ratings. The Treasurer shall prepare a monthly cash flow report which sets forth projections for revenue inflows, and interest earnings as compared to the projections for the operating and capital outflows of depositors. This projection shall be for a minimum of 12 months. All Reports will be available on the County Treasurer's website at www.sanmateocountytreasurer.org

D. Annual Audit of Compliance

The County Treasury Oversight Committee shall cause an annual audit to be conducted of the portfolio, procedures, reports and operations related to the County pool in compliance with the California Government Code § 27134.

E. Pool Rating

The Pool strives to maintain the highest credit rating at all times. Annually, a contract may be requested for a rating from one of the three leading nationally recognized credit rating organizations (S&P, Moody's or Fitch).

F. External Investment Advisor

An external investment advisor will be contracted to conduct independent monthly compliance reviews of the County's portfolio holdings and provide a monthly written report which will:

1. Verify the accuracy of holdings information
2. Provide summary level information about the portfolio
3. Verify compliance with California Government Code
4. Verify compliance with the County's written Investment Policy
5. List any exceptions or discrepancies identified

G. Loss Control

While this Investment Policy is based on "the Prudent Investor Rule", the Treasurer shall seek to enhance total portfolio return by means of actively managing the portfolio. In any professionally managed portfolio, occasional controlled losses are inevitable and must be realized and judged within the context of overall portfolio performance. Losses shall be allocated as otherwise described in this policy in section XIII, entitled "Method of Accounting".

H. Credit Quality

Should any investment or financial institution represented in the portfolio, be downgraded by any of the major rating services to a rating below those established in this investment policy, the Treasurer must immediately make an informed decision as to the disposition of that asset and will so advise the County Treasury Oversight Committee. The situation will be monitored daily by the Treasurer until final disposition has been made.

I. Approved Brokers

The Treasurer will maintain a current list of Approved Brokers and Dealers who may conduct business with the County. All financial institutions on the approved list will be evaluated individually, with preference given to primary dealers, who possess a strong capital and credit base appropriate to their operations. The Treasurer will forward a copy of the County Investment Policy to all approved brokers and require written acknowledgment of the policy from the broker.

No broker, brokerage, dealer or securities firm is allowed on the approved list if, within any consecutive 48-month period, they have made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the local Treasurer, any member of the governing board of the local agency or any candidate for those offices.

J. Transaction Settlement

Payment of settlement in a securities transaction will be against delivery only. A due bill or other substitution will not be acceptable. All securities purchased from the brokers/dealers must be held in safekeeping by the County's safekeeping agent or designated third party.

K. Internal Controls

The Treasurer has established a system of controls designed to prevent losses of pooled funds due to fraud, employee error, and misrepresentations by third parties, and unanticipated changes in financial markets or imprudent actions by employees of the County. The controls include:

1. Procedures for investment activity which includes separation of duties for transaction authority, accounting and operations and requires clear documentation of activity.
2. Custodial safekeeping as prescribed in California Government Code § 53601.
3. Independent audit, both external and internal.
4. Clear delegation of authority.
5. Written confirmations of all telephone transactions.
6. Establishment of written ethical standards and rules of behavior.

XVIII. Execution of Investment Authority

A. All transactions are documented as to date, time and vendor, signed by the originator and include the following information:

1. Buy or sell
2. Specific description of security involved (CUSIP)
3. Settlement date
4. Price
5. The total amount of funds involved
6. On non-treasury or agency transactions a notation will be made on the transaction ticket of competitive bids and offers
7. Broker/dealer

B. Information in "A" must be provided to the Investment Specialist for the following purpose:

1. To contact the dealer to verify the information on the trade with the dealer's instructions. Any misunderstanding must be clarified prior to settlement.
2. To provide the County's custodian bank with the specifics of the pending transaction to assure a smooth settlement.
3. To compare with the daily custodian transaction report to assure there are no errors.
4. To generate the internal entries necessary for the movement of funds to complete the transaction.
5. To compare with the broker's confirmations when received.

C. At the end of each day, the Investment Specialist summarizes all of the current day transactions in a "Daily Cash Flow Report" available immediately the following morning. This report includes:

1. A summary of all the day's investment transaction
2. A listing of the day's incoming and outgoing wires
3. A listing of the day's state automatics and other deposits received
4. If the pool has "Repos" out, the current earnings rate statement
5. An estimate of the total anticipated clearings for the day

D. A best effort will be made to obtain a minimum of three prices from different brokers before executing a security transaction whenever possible. Exceptions will occur with Treasuries. In those cases the Bloomberg screen will be printed as close to the actual executed price as possible. In the case of money market, agencies or corporate securities, a best effort will be made to obtain differential bids and offers.

E. Repurchase Agreements All Repurchase Agreements with approved dealers will be governed by a Public Securities Association (PSA) agreement that has been approved in writing by the Treasurer.

F. Confirmations resulting from securities purchased or sold under a Repurchase Agreement shall state the exact and complete nomenclature of the underlying securities bought or sold, as well as the term structure (i.e. maturity) of the transaction.

G. Securities on loan and their corresponding investments under the County Security Lending Program must be monitored daily by the Investment Specialist to assure the Assistant Treasurer has a list of those securities that are out on loan. Interest earned will be monitored daily and compared to the monthly report of earnings by the custodial bank.

H. The assets of the County shall be held in safekeeping by the County's safekeeping agent, or secured through third-party custody and safekeeping procedures. A due bill or other substitution will not be acceptable.

I. Safekeeping procedures shall be reviewed annually by the Treasurer's office and an external auditor. Surprise audits of safekeeping and custodial procedures must be conducted at least once a year.

J. Security Lending: The custodial bank may be authorized to lend out up to 20% of the portfolio within the guidelines of this policy. Guidelines for securities lending and the investment of collateral are attached to this policy as Schedule 1. Securities on loan must be monitored daily by the Treasurer's office to assure that the Treasurer has a list of those securities that are out on loan. Interest earned will be monitored daily and compared to the monthly report of earnings by the custodial bank.

K. Voluntary Participants will be accepted for participation in the San Mateo County Pooled Fund if they meet the following requirements:

1. A public agency
2. Domiciled in the County of San Mateo.
3. Agree to abide by the approved San Mateo County Pooled Fund Investment Policy Statement.
4. Acknowledge changes to the policy annually in writing and meet the minimum balance requirements (250K).

L. Agencies whose jurisdiction includes San Mateo County, but are not domiciled in San Mateo County, may participate in the San Mateo County Pooled Fund with the approval of the Treasurer and the County Treasury Oversight Committee.

XIX. Disaster Recovery

The San Mateo County Treasurer's Disaster Recovery Plan includes critical phone numbers and addresses of key personnel as well as active bankers and brokers/dealers. Portable devices have been issued to key personnel for communicating between staff, banks and broker/dealers. The plan includes an offsite location to be communicated at the time of readiness if our offices are uninhabitable.

In the event investment staff is unable to invest the portfolio, the custodial bank will automatically sweep all un-invested cash into a collateralized account at the end of the business day. Union Bank is currently the pools bank.

Should this guarantee program not be extended, a collateralized account will be set up. Until normal operations of the Treasurer's office have been restored, the limitations on the size of an individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this Investment Policy.

XX. Ethics and Conflict of Interest

The Treasurer and all investment personnel shall refrain from personal business activity which could create a conflict with proper execution of the investment program or which could impair the ability to execute impartial investment decisions. The Treasurer and all investment personnel shall disclose to the Treasury Oversight Committee any material financial interests in financial institutions which conduct business with San Mateo County and shall disclose any material financial investment positions which could be related in a conflicting manner to the performance of San Mateo County's investment portfolio.

XXI. Limits on Honoraria, Gifts and Gratuities

In accordance with California Government Code Section 27133, this policy establishes limits for the Treasurer; individuals responsible for management of the portfolios; and members of the Treasury Oversight Committee; select individual investment advisors and broker/dealers who conduct day-to-day investment trading activity.

Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of $50 in a calendar year from a broker/dealer,bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the designated filing official and complete the appropriate State forms.

No individual designated in a conflict of interest code may receive aggregate gifts, honoraria and gratuities in a calendar year in excess of the amount specified in Section 18940.2(a) of Title 2, Division 6 of the California Code of Regulations. Gifts from a single source are subject to a $420 limit. Any violation must be reported to the State Fair Political Practices Commission.

Comparison and Interpretation of Credit Ratings[1]

Long Term Debt Ratings

Rating Interpretation	Moody's	Standard & Poor's	Fitch
Best-Quality grade	Aaa	AAA	AAA
High-Quality Grade	Aa1 Aa2 Aa3	AA+ AA AA-	AA+ AA AA-
Upper Medium Grade	A1 A2 A3	A+ A A-	A+ A A-
Medium Grade	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-
Speculative Grade	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-
Low Grade	B1 B2 B3	B+ B B-	B+ B B-
Poor Grade to Default	Caa	CCC+	CCC
In Poor Standing	- -	CCC CCC-	- -
Highly Speculative Default	Ca C	CC -	CC -
Default	- - -	- - D	DDD DD D

Short Term/Commercial Paper Investment Grade Ratings

Rating Interpretation	Moody's	Standard & Poor's	Fitch
Superior Capacity	P-1	A-1+/A-1	F1+/F1

Strong Capacity	P-2	A-2	F2
Acceptable Capacity	P-3	A-3	F3

[1] **These are general credit rating guidelines and are for information only**

GLOSSARY OF TERMS

ACCRUED INTEREST
Interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

BANKERS' ACCEPTANCE
A time bill of exchange drawn on and accepted by a commercial bank to finance the exchange of goods. When a bank "accepts" such a bill, the time draft becomes, in effect, a predated, certified check payable to the bearer at some future specified date. Little risk is involved for the investor because the commercial bank assumes primary liability once the draft is accepted.

BASIS POINT
One basis point is equal to 1/100 of one percent. For example, if interest rates increase from 4.25% to 4.50%, the difference is referred to as a 25-basis-point increase.

BENCHMARK
A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID
The price at which a buyer offers to buy a security.

BOND
A bond is essentially a loan made by an investor to a division of the government, a government agency or a corporation. The bond is a promissory note to repay the loan in full at the end of a fixed time period. The date on which the principal must be repaid is the called the maturity date or maturity. In addition, the issuer of the bond, that is, the agency or corporation receiving the loan proceeds and issuing the promissory note, agrees to make regular payments of interest at a rate initially stated on the bond. Bonds are rated according to many factors, including cost, degree of risk and rate of income.

BOOK VALUE
The value of a held security as carried in the records of an investor. May differ from current market value of the security.

BROKER/DEALER
Any person engaged in the business of effecting transactions in securities in this state for the account of others or for her/his own account. Broker/dealer also includes a person engaged in the regular business of issuing or guaranteeing options with regard to securities not of her/his own issue.

CALLABLE SECURITIES
An investment security that contains an option allowing the issuer to retire the security prior to its final maturity date.

COMMERCIAL PAPER
Short-term, unsecured promissory notes issued in either registered or bearer form and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30-45 days.

COUPON RATE
The annual rate of interest payable on a security expressed as a percentage of the principal amount.

COVERED BOND
A covered or mortgage bond is an on-balance sheet obligation of the issuing institution.

Typically, a covered bond receives the legal structure, the issuer's backing and the pledge of quality assets, should the issuer fail to qualify for a higher rated bond.

CREDIT RISK

The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CURRENT YIELD

The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSIP NUMBERS

CUSIP is an acronym for Committee on Uniform Security Identification Procedures. CUSIP numbers are identification numbers assigned each maturity of a security issue and usually printed on the face of each individual security in the issue. The CUSIP numbers are intended to facilitate identification and clearance of securities.

DISCOUNT

The amount by which the par value of a security exceeds the price paid for the security.

DIVERSIFICATION

Dividing investment funds among a variety of securities offering independent returns.

DURATION

The weighted average time to maturity of a bond where the weights are the present values of future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates.

EARNINGS APPORTIONMENT

The quarterly interest distribution to the Pool Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool.

FAIR VALUE

The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL FUNDS

Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend Fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

FEDERAL FUNDS RATE

Interest rate at which banks lend federal funds to each other.

FEDERAL OPEN MARKET COMMITTEE (FOMC)

This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FIDUCIARY

An individual who holds something in trust for another and bears liability for its safekeeping.

FLOATING RATE NOTE

A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, LIBOR, etc.).

FUTURES

Commodities, which are sold to be delivered at a future date

INTEREST

The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INVERSE FLOATING RATE NOTES
Variable-rate notes whose coupon and value increase as interest rates decrease.
LIQUIDITY
The ease with which investments can be converted to cash at their present market value. Liquidity is significantly affected by the number of buyers and sellers trading a given security and the number of units of the security available for trading.
LOCAL AGENCY INVESTMENT FUND (LAIF)
The State of California investment pool in which money of local agencies is pooled as a method for managing and investing local funds.
MARKET RISK
Market risk is the risk that investments will change in value based on changes in general market prices.
MARKET VALUE
The price at which a security is trading and could presumably be purchased or sold.
MASTER REPURCHASE AGREEMENT
A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transaction. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.
MATURITY
The date upon which the principal of a security becomes due and payable to the holder.
MONEY MARKET MUTUAL FUND
A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.
MUNICIPAL BOND
Debt obligation of a state or local government entity
OPTION
A contract that provides the right, but not the obligation, to buy or to sell a specific amount of a specific security within a predetermined time period. A call option provides the right to buy the underlying security. A put option provides the right to sell the underlying security. The seller of the contracts is called the writer.
PAR
The stated maturity value, or face value, of a security.
PAR VALUE
The stated or face value of a security expressed as a specific dollar amount marked on the face of the security; the amount of money due at maturity. Par value should not be confused with market value.
PREMIUM
The amount by which the price paid for a security exceeds the security's par value.
PRIME RATE
A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.
RATE OF RETURN
The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond and the current income return.
REPURCHASE AGREEMENT OR RP OR REPO
An agreement consisting of two simultaneous transactions whereby the investor purchases securities from a bank or dealer and the bank or dealer agrees to repurchase the securities at

the same price on a certain future date. The interest rate on a RP is that which the dealer pays the investor for the use of his funds. Reverse repurchase agreements are the mirror image of the RPs when the bank or dealer purchases securities from the investor under an agreement to sell them back to the investor.

SAFEKEEPING

A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held by the bank in the customer's name.

SECURITIES LENDING

A transaction wherein the Treasurer's Pool transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SETTLEMENT DATE

The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

STRIPs

Bonds, usually issued by the U.S. Treasury, whose two components, interest and repayment of principal, are separated and sold individually as zero-coupon bonds. Strips are an acronym for Separate Trading of Registered Interest and Principal of Securities.

TRADE DATE

The date and time corresponding to an investor's commitment to buy or sell a security.

U.S. AGENCY OBLIGATIONS

Federal agency or United States government-sponsored enterprise obligations, participants, or other instruments. The obligations are issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. Issuers include: Fannie Mae, Farmer Mac, Federal Farm Credit Banks, Freddie Mac, Federal Home Loan Banks, Financing Corporation, Tennessee Valley Authority, Resolution Trust Funding Corporation, World Bank, Inter-American Development Bank and PEFCO.

U.S. TREASURY OBLIGATIONS (TREASURIES)

Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

WEIGHTED AVERAGE MATURITY

The remaining average maturity of all securities held in a portfolio.

YIELD

The rate of annual income return on an investment, expressed as a percentage. Yield does not include capital gains. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

ZERO-COUPON BOND

A bond on which interest is not payable until maturity (or earlier redemption), but compounds periodically to accumulate to a stated maturity amount. Zero-coupon bonds are typically issued at a discount and repaid at par upon maturity.

Sandie Arnott
TREASURER- TAX COLLECTOR

TREASURER - TAX COLLECTOR - REVENUE SERVICES

Charles M. Tovstein
ASSISTANT TREASURER

Robin N. Elliott
ASSISTANT TAX COLLECTOR

DATE: September 10, 2014

TO: San Mateo County Pool Participants

FROM: Sandie Arnott, Treasurer-Tax Collector

SUBJECT: August, 2014 - Monthly Investment Reports

Gross earnings for the month ending August 31, 2014 were .77%. The current average maturity of the portfolio is 2.00 years with an average duration of 1.95 years. The current par value of the pool is $3.385 Billion. The largest non-government aggregate position currently is Toronto Dominion Bank. at 2.81%. The portfolio continues to hold no derivative products.

The San Mateo County Pool complies with Government Code Section 53646, which requires the ability to meet its expenditure requirements for the next six months.

I certify, and our investment advisor, PFM Asset Management, confirms these reports are in compliance with the investment policy dated Calendar Year 2014. Please visit our website if you wish to review PFM's monthly compliance report: **http://www.sanmateocountytreasurer.org/PFMReports.html**

If you have any questions regarding any of these reports, please call Charles Tovstein or me at (650) 363 – 4470.

Best regards,

Sandie Arnott
Treasurer-Tax Collector

SAN MATEO COUNTY PORTFOLIO

September 10, 2014

Table of Contents

COUNTY OF SAN MATEO
ESTIMATED SUMMARY OF POOL EARNINGS
AUGUST 2014

	Par Value	Gross Earnings
Fixed Income Securities Maturing > 1 year		
U S Treasury Notes	$525,000,000	$402,369.85
U S Treasury Notes-Floater	$20,000,000	$1,426.48
Federal Agencies	872,058,857.00	454,968.12
Corporate Notes	441,500,000.00	458,245.95
Floating Rate Securities	375,000,000.00	159,960.94
	$2,233,558,857	**$1,476,971.34**
Short Term Securities Maturing < 1 year		
Federal Agencies	739,405,000	96,381.61
Corporate Notes	40,050,000	49,183.89
Floating Rate Securities	61,000,000	22,087.89
LAIF ,	50,000,000	8,493.15
Commercial Paper	138,700,000	24,936.92
Certificate of Deposit	25,000,000	4,458.90
Repurchase Agreements	97,500,000	325.00
	$1,151,655,000	**$205,867.36**
Total Accrued Interest	**$3,385,213,857**	**$1,682,838.70**
Realized Gain/Loss & Interest Received		
U S Treasury Notes		$398,831.70
Federal Agencies		112,198.25
Corporate Notes		3,754.21
Floating Rate Securities		14,192.49
Certificate of Deposit		2,152.96
Commercial Paper		541.66
Repurchase Agreements		5,728.36
Total Realized Income		**$537,399.63**
TOTAL DOLLAR EARNINGS		**$2,220,238.33**

AVERAGE BALANCE		**$3,416,982,007.98**
GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS	**0.77%**	**$2,220,238.33**
ADMINISTRATION FEES		**($333,740.85)**
NET EARNINGS RATE / NET DOLLAR EARNINGS	**0.65%**	**$1,886,497.48**

MERRILL LYNCH TAXABLE BOND INDEX vs. SAN MATEO COUNTY POOL

CHARACTERISTICS

INDEX	8/31/14	POOL
2.25	AVERAGE MATURITY (yrs)	2.00
2.35	DURATION (yrs)	1.95
0.76	YIELD TO MATURITY (%)	0.67

TIME WEIGHTED/TOTAL RETURN

0.301	1 MONTH (%)	0.20
0.071	3 MONTHS (%)	0.10
0.431	6 MONTHS (%)	0.33
1.404	1 YEAR (%)	1.12

SYNTHETIC BENCHMARK

ALLOCATION OF INDEX

30%	0-1 year U.S. Government
20%	1-2.99 year U.S. Government
20%	3-5 year U.S. Government
10%	1-10 year U.S. Government
20%	1-5 year Corporate Bonds

*** THE MEASURE THAT CAN BE USED TO ASSESS THE PERFORMANCE OF A PORTFOLIO OVER SOME INVESTMENT HORIZON IS THE TOTAL RETURN. TOTAL RETURN IS THE SUM OF PRINCIPAL AND INTEREST PAYMENTS AS WELL AS ANY REINVESTMENT INCOME RECEIVED OVER A HOLDING PERIOD PLUS ANY CAPITAL GAIN OR LOSS.

SAN MATEO COUNTY TREASURER'S OFFICE

FIXED INCOME DISTRIBUTION - SETTLED TRADES

SAN MATEO COUNTY POOL

August 31, 2014

Summary Information

Totals	
Par Value	3,385,213,857
Market Value	3,387,690,844.47
Total Cost	3,383,328,718.50
Net Gain/Loss	4,362,125.97
Annual Income	23,288,750.89
Accrued Interest	5,719,219.89
Number of Issues	177

Weighted Averages	
Average YTM	0.67
Average Maturity (yrs)	2.00
Average Coupon (%)	0.69
Average Duration	1.95
Average Moody Rating	Aa1/P-1
Average S&P Rating	AA/A-1

Distribution by Maturity

Maturity	Number	Mkt Value	% Bond Holdings	Average Y T M	Average Coupon	Average Duration
Under 1 Yr	52	1,152,613,846.38	34.0	0.1	0.182 %	0.3
1 Yr - 3 Yrs	84	1,238,360,692.69	36.6	0.6	0.766 %	2.0
3 Yrs - 5 Yrs	38	940,993,505.92	27.8	1.3	1.110 %	3.8
5 Yrs - 7 Yrs	3	55,722,799.48	1.6	2.3	2.365 %	4.8

Distribution by Coupon

Coupon %	Number	Mkt Value	% Bond Holdings	Average Y T M	Average Coupon	Average Duration
Under 1%	115	2,349,471,273.10	69.4	0.4	0.368 %	1.3
1% - 3%	61	1,027,928,373.59	30.3	1.3	1.398 %	3.4
3% - 5%	1	10,291,197.78	0.3	0.4	3.200 %	0.8

Distribution by Duration

Duration	Number	Mkt Value	% Bond Holdings	Average Y T M	Average Coupon	Average Duration
Under 1 Yr	52	1,152,613,846.38	34.0	0.1	0.182 %	0.3
1 Yr - 3 Yrs	89	1,369,099,058.92	40.4	0.7	0.791 %	2.1
3 Yrs - 5 Yrs	35	845,599,611.37	25.0	1.4	1.172 %	3.9
5 Yrs - 7 Yrs	1	20,378,327.81	0.6	2.3	2.500 %	5.0

SAN MATEO COUNTY TREASURER'S OFFICE

FIXED INCOME DISTRIBUTION - SETTLED TRADES

SAN MATEO COUNTY POOL

August 31, 2014

Distribution by Moody Rating

Rating	Number	Mkt Value	% Bond Holdings	Average Y T M	Average Coupon	Average Duration
Aaa	106	2,339,150,937.17	69.0	0.7	0.669 %	2.0
Aa1	10	190,260,568.07	5.6	0.7	0.700 %	2.9
Aa2	15	198,334,836.94	5.9	0.8	1.108 %	2.3
Aa3	18	213,032,025.15	6.3	0.6	0.860 %	1.6
A1	10	120,030,945.66	3.5	0.7	1.008 %	2.1
A2	9	103,166,042.87	3.0	0.8	0.863 %	2.1
P-1	8	173,700,474.72	5.1	0.2	0.062 %	0.1
Not Rated	1	50,015,013.89	1.5	0.2	0.230 %	0.1

Distribution by S&P Rating

Rating	Number	Mkt Value	% Bond Holdings	Average Y T M	Average Coupon	Average Duration
AAA	6	87,293,692.42	2.6	0.7	1.099 %	2.5
AA+	110	2,390,328,816.50	70.6	0.7	0.664 %	2.0
AA	9	93,071,169.08	2.7	0.8	1.266 %	2.5
AA-	24	314,382,695.64	9.3	0.7	0.957 %	2.3
A+	15	238,915,232.82	7.1	0.6	0.779 %	1.9
A	4	39,983,749.40	1.2	0.6	0.570 %	1.6
A-1+	1	13,699,494.47	0.4	0.1	0.000 %	0.1
A-1	7	160,000,980.25	4.7	0.2	0.067 %	0.1
Not Rated	1	50,015,013.89	1.5	0.2	0.230 %	0.1

** MARKET VALUE ON THE FIXED INCOME DISTRIBUTION REPORT INCLUDES ANY ACCRUED INTEREST THAT A SECURITY HAS EARNED. TOTAL COST DOES NOT REFLECT AMORTIZATIONS OR ACCRETIONS BUT INCLUDES PURCHASED ACCRUED INTEREST. MONTHLY TRANSACTION SUMMARY REPORT IS AVAILABLE UPON REQUEST.

SAN MATEO COUNTY TREASURER'S OFFICE
PORTFOLIO APPRAISAL
SAN MATEO COUNTY POOL
August 31, 2014

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
CERTIFICATE OF DEPOSIT											
WELLS FARGO & CO 0.210% Due 11-25-14			25,000,000	100.00	25,000,000.00	100.00	25,000,000.00	14,583.33	25,014,583.33	A-1	0.74
DEUTSCHE BANK AG-CD FLOATER 0.553% Due 07-23-15			10,000,000	100.00	10,000,000.00	100.00	10,000,000.00	5,991.92	10,005,991.92	A-1	0.30
			35,000,000		35,000,000.00		35,000,000.00	20,575.25	35,020,575.25		1.03
COMMERCIAL PAPER											
UNION BANK NA 0.000% Due 09-08-14			25,000,000	99.87	24,967,458.33	100.00	24,998,777.50	0.00	24,998,777.50	A-1	0.74
TOYOTA MOTOR CREDIT CORPORATION 0.000% Due 09-19-14			13,700,000	99.99	13,698,481.58	100.00	13,699,494.47	0.00	13,699,494.47	A-1+	0.41
UNION BANK NA 0.000% Due 09-19-14			25,000,000	99.95	24,987,902.78	99.99	24,998,285.00	0.00	24,998,285.00	A-1	0.74
DEUTSCHE BANK FINL LLC 0.000% Due 09-26-14			25,000,000	99.81	24,951,875.00	99.98	24,994,042.50	0.00	24,994,042.50	A-1	0.74
DEUTSCHE BANK FINL LLC 0.000% Due 09-30-14			25,000,000	99.84	24,961,250.00	99.97	24,993,542.50	0.00	24,993,542.50	A-1	0.74
MUFG UNION BANK NA 0.000% Due 10-17-14			25,000,000	99.97	24,991,513.89	99.98	24,995,757.50	0.00	24,995,757.50	A-1	0.74
			138,700,000		138,558,481.58		138,679,899.47	0.00	138,679,899.47		4.10
LOCAL AGENCY INVESTMENT FUND											
LAIF 0.230% Due 10-01-14			50,000,000	100.00	50,000,000.00	100.00	50,000,000.00	15,013.89	50,015,013.89		1.48
REPURCHASE AGREEMENTS											
REPURCHASE AGREEMENT(U.S. TREAS NTS COLLAT) 0.040% Due 09-02-14			97,500,000	100.00	97,500,000.00	100.00	97,500,000.00	216.67	97,500,216.67	AA+	2.88
UNITED STATES TREASURY-NOTES											
UNITED STATES TREAS NTS 0.875% Due 11-30-16			25,000,000	99.57	24,892,578.12	100.53	25,132,800.00	54,986.34	25,187,786.34	AA+	0.74
UNITED STATES TREAS NTS 0.625% Due 09-30-17			50,000,000	98.97	49,483,852.04	98.81	49,406,250.00	130,635.25	49,536,885.25	AA+	1.46

SAN MATEO COUNTY TREASURER'S OFFICE

PORTFOLIO APPRAISAL

SAN MATEO COUNTY POOL

August 31, 2014

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
UNITED STATES TREAS NTS 0.625% Due 04-30-18			150,000,000	99.14	148,714,843.75	97.70	146,542,950.00	313,349.18	146,856,299.18	AA+	4.33
UNITED STATES TREAS NTS 1.000% Due 05-31-18			50,000,000	99.62	49,812,500.00	98.90	49,449,200.00	126,358.70	49,575,558.70	AA+	1.46
UNITED STATES TREAS NTS 1.250% Due 10-31-18			100,000,000	99.59	99,589,843.75	99.21	99,210,900.00	420,081.97	99,630,981.97	AA+	2.93
UNITED STATES TREAS NTS 1.500% Due 05-31-19			50,000,000	99.65	49,826,460.04	99.55	49,777,343.75	189,538.04	49,966,881.79	AA+	1.47
UNITED STATES TREAS NTS 1.625% Due 07-31-19			100,000,000	100.11	100,105,468.75	100.01	100,007,800.00	136,888.59	100,144,688.59	AA+	2.96
			525,000,000		522,425,546.45		519,527,243.75	1,371,838.06	520,899,081.81		15.36
UNITED STATES TREASURY-FLOATING RATES											
UNITED STATES TREAS FLOATING RATE NOTE 0.075% Due 01-31-16			20,000,000	99.98	19,995,958.00	100.01	20,002,000.00	1,333.37	20,003,333.37	AA+	0.59
FEDERAL AGENCY - FLOATING RATE SECURITIES											
FEDERAL HOME LOAN MORTGAGE CORP. - FLOATER 0.156% Due 12-05-14			25,000,000	100.00	25,000,000.00	100.02	25,004,500.00	2,816.67	25,007,316.67	AA+	0.74
FEDERAL FARM CREDIT BANK 0.210% Due 02-27-17			20,000,000	100.00	20,000,000.00	100.10	20,019,840.00	466.67	20,020,306.67	AA+	0.59
			45,000,000		45,000,000.00		45,024,340.00	3,283.33	45,027,623.33		1.33
FEDERAL AGENCY SECURITIES											
FEDERAL HOME LOAN BANK-DISCOUNT NOTE 0.000% Due 09-05-14			20,000,000	99.99	19,997,977.78	100.00	19,999,980.00	0.00	19,999,980.00	AA+	0.59
FEDERAL HOME LOAN BANK-DISCOUNT NOTE 0.000% Due 09-17-14			8,400,000	99.99	8,399,125.00	100.00	8,399,949.60	0.00	8,399,949.60	AA+	0.25
FEDERAL MORTGAGE CORPORATION DN 0.000% Due 09-18-14			15,000,000	99.98	14,997,227.08	100.00	14,999,895.00	0.00	14,999,895.00	AA+	0.44

SAN MATEO COUNTY TREASURER'S OFFICE

PORTFOLIO APPRAISAL

SAN MATEO COUNTY POOL

August 31, 2014

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL HOME LOAN BANK-DISCOUNT NOTE 0.000% Due 09-19-14			17,210,000	99.99	17,207,865.00	100.00	17,209,879.53	0.00	17,209,879.53	AA+	0.51
FEDERAL NATIONAL MORTGAGE ASSOCIATION DISCOUNT 0.000% Due 09-19-14			30,000,000	99.96	29,987,341.67	100.00	29,999,790.00	0.00	29,999,790.00	AA+	0.89
FEDERAL HOME LOAN MORTGAGE CORPORATION 0.750% Due 09-22-14			11,295,000	100.37	11,336,655.96	100.04	11,299,246.92	37,414.69	11,336,661.61	AA+	0.33
FEDERAL MORTGAGE CORPORATION DN 0.000% Due 09-24-14			26,400,000	99.98	26,393,990.33	100.00	26,399,762.40	0.00	26,399,762.40	AA+	0.78
FEDERAL NATIONAL MORTGAGE ASSOCIATION DISCOUNT 0.000% Due 09-24-14			25,000,000	99.97	24,992,461.81	100.00	24,999,775.00	0.00	24,999,775.00	AA+	0.74
FEDERAL MORTGAGE CORPORATION DN 0.000% Due 09-25-14			20,000,000	99.98	19,995,905.56	100.00	19,999,800.00	0.00	19,999,800.00	AA+	0.59
FEDERAL HOME LOAN BANK-DISCOUNT NOTE 0.000% Due 10-03-14			15,000,000	99.99	14,997,937.50	100.00	14,999,730.00	0.00	14,999,730.00	AA+	0.44
FEDERAL NATIONAL MORTGAGE ASSOCIATION DISCOUNT 0.000% Due 10-06-14			20,400,000	99.99	20,397,025.00	100.00	20,399,592.00	0.00	20,399,592.00	AA+	0.60
FEDERAL HOME LOAN BANK-DISCOUNT NOTE 0.000% Due 10-10-14			25,000,000	99.97	24,991,395.83	100.00	24,999,450.00	0.00	24,999,450.00	AA+	0.74
FARM CREDIT DISCOUNT NOTE 0.000% Due 10-15-14			13,000,000	99.98	12,997,927.22	100.00	12,999,675.00	0.00	12,999,675.00	AA+	0.38
FEDERAL HOME LOAN BANK-DISCOUNT NOTE 0.000% Due 10-15-14			8,840,000	99.98	8,838,212.36	100.00	8,839,779.00	0.00	8,839,779.00	AA+	0.26
FEDERAL NATIONAL MORTGAGE ASSOCIATION DISCOUNT 0.000% Due 10-17-14			20,000,000	99.98	19,995,450.00	100.00	19,999,480.00	0.00	19,999,480.00	AA+	0.59

SAN MATEO COUNTY TREASURER'S OFFICE

PORTFOLIO APPRAISAL

SAN MATEO COUNTY POOL

August 31, 2014

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL NATIONAL MORTGAGE ASSOCIATION DISCOUNT 0.000% Due 10-22-14			50,000,000	99.97	49,984,156.25	100.00	49,998,550.00	0.00	49,998,550.00	AA+	1.48
FEDERAL HOME LOAN BANK 0.120% Due 10-27-14			25,000,000	100.03	25,008,083.33	100.00	25,000,000.00	10,333.33	25,010,333.33	AA+	0.74
FEDERAL NATIONAL MORTGAGE ASSOCIATION 0.625% Due 10-30-14			10,000,000	99.95	9,995,100.00	100.09	10,008,990.00	20,833.33	10,029,823.33	AA+	0.30
FEDERAL MORTGAGE CORPORATION DN 0.000% Due 11-03-14			38,750,000	99.97	38,738,697.92	99.99	38,747,248.75	0.00	38,747,248.75	AA+	1.15
FEDERAL NATIONAL MORTGAGE ASSOCIATION 0.750% Due 12-19-14			10,000,000	100.00	9,999,700.00	100.20	10,019,860.00	15,000.00	10,034,860.00	AA+	0.30
FEDERAL HOME LOAN BANK-1 0.200% Due 12-30-14	09-19-14	100.00	40,000,000	100.00	40,000,000.00	100.00	39,999,760.00	36,000.00	40,035,760.00	AA+	1.18
FEDERAL HOME LOAN BANK 0.250% Due 01-16-15			10,000,000	99.88	9,988,000.00	100.06	10,005,630.00	3,125.00	10,008,755.00	AA+	0.30
FEDERAL MORTGAGE CORPORATION DN 0.000% Due 01-21-15			30,000,000	99.95	29,984,659.72	99.98	29,993,070.00	0.00	29,993,070.00	AA+	0.89
FEDERAL HOME LOAN BANK 0.250% Due 02-20-15			40,000,000	99.91	39,964,400.00	100.06	40,022,240.00	3,055.56	40,025,295.56	AA+	1.18
FEDERAL HOME LOAN MORTGAGE CORPORATION 0.350% Due 03-18-15			10,000,000	100.00	10,000,000.00	100.12	10,012,240.00	15,847.22	10,028,087.22	AA+	0.30
FEDERAL HOME LOAN MORTGAGE CORPORATION 0.500% Due 04-17-15			10,000,000	99.73	9,972,800.00	100.21	10,020,520.00	18,611.11	10,039,131.11	AA+	0.30
FEDERAL HOME LOAN BANK-1 0.200% Due 04-24-15	09-24-14	100.00	20,000,000	100.00	20,000,000.00	99.99	19,998,180.00	17,222.22	20,015,402.22	AA+	0.59
FEDERAL FARM CREDIT BANK 0.500% Due 06-23-15			26,000,000	99.69	25,919,920.00	100.28	26,072,800.00	24,555.56	26,097,355.56	AA+	0.77
FEDERAL HOME LOAN BANK-M 0.180% Due 07-10-15	10-10-14	100.00	15,000,000	100.00	15,000,000.00	100.01	15,001,350.00	3,825.00	15,005,175.00	AA+	0.44
FEDERAL HOME LOAN BANK-1 0.200% Due 07-17-15	03-30-15	100.00	24,110,000	100.00	24,110,000.00	100.00	24,110,530.42	20,091.67	24,130,622.09	AA+	0.71

SAN MATEO COUNTY TREASURER'S OFFICE

PORTFOLIO APPRAISAL

SAN MATEO COUNTY POOL

August 31, 2014

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL HOME LOAN BANK-1 0.210% Due 08-17-15	02-17-15	100.00	40,000,000	100.00	40,000,000.00	100.00	40,001,520.00	3,266.67	40,004,786.67	AA+	1.18
FEDERAL HOME LOAN BANK-1 0.250% Due 08-27-15	02-27-15	100.00	25,000,000	100.00	25,000,000.00	100.06	25,014,200.00	694.44	25,014,894.44	AA+	0.74
FEDERAL HOME LOAN BANK 0.375% Due 08-28-15			15,000,000	100.00	14,999,400.00	100.18	15,027,645.00	468.75	15,028,113.75	AA+	0.44
FEDERAL HOME LOAN MORTGAGE CORPORATION 0.500% Due 09-25-15			55,000,000	100.12	55,067,800.00	100.29	55,161,535.00	119,166.67	55,280,701.67	AA+	1.63
FEDERAL HOME LOAN BANK 0.500% Due 11-20-15			15,000,000	99.97	14,995,200.00	100.29	15,042,930.00	21,041.67	15,063,971.67	AA+	0.44
FEDERAL NATIONAL MORTGAGE ASSOCIATION 0.375% Due 12-21-15			25,000,000	99.77	24,941,750.00	100.11	25,027,075.00	18,229.17	25,045,304.17	AA+	0.74
FEDERAL HOME LOAN BANK-1 0.375% Due 12-30-15	09-30-14	100.00	30,000,000	100.00	30,000,000.00	100.02	30,004,770.00	18,750.00	30,023,520.00	AA+	0.89
FEDERAL HOME LOAN BANK 0.375% Due 02-19-16			25,000,000	99.80	24,951,250.00	100.01	25,002,025.00	3,125.00	25,005,150.00	AA+	0.74
FEDERAL NATIONAL MORTGAGE ASSOCIATION 0.500% Due 03-30-16			20,000,000	99.89	19,977,200.00	100.14	20,027,700.00	41,666.67	20,069,366.67	AA+	0.59
FEDERAL HOME LOAN BANK 0.375% Due 06-24-16			35,000,000	99.82	34,938,050.00	99.74	34,907,285.00	24,791.67	34,932,076.67	AA+	1.03
FEDERAL HOME LOAN BANK-B 0.570% Due 06-30-16	09-30-14	100.00	5,000,000	100.00	5,000,000.00	99.79	4,989,570.00	4,750.00	4,994,320.00	AA+	0.15
FEDERAL NATIONAL MORTGAGE ASSOCIATION 0.375% Due 07-05-16			10,000,000	99.65	9,965,500.00	99.78	9,978,170.00	5,833.33	9,984,003.33	AA+	0.30
FEDERAL HOME LOAN BANK-1 0.600% Due 08-26-16	02-26-15	100.00	10,000,000	100.02	10,002,000.00	99.85	9,984,880.00	833.33	9,985,713.33	AA+	0.30
FEDERAL HOME LOAN BANK 0.500% Due 09-28-16			17,000,000	99.77	16,961,750.00	99.77	16,960,118.00	36,125.00	16,996,243.00	AA+	0.50
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.250% Due 09-28-16			10,000,000	99.82	9,981,800.00	101.29	10,129,010.00	53,125.00	10,182,135.00	AA+	0.30

SAN MATEO COUNTY TREASURER'S OFFICE

PORTFOLIO APPRAISAL

SAN MATEO COUNTY POOL

August 31, 2014

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL HOME LOAN MORTGAGE CORP. 0.875% Due 10-14-16			10,000,000	99.98	9,998,500.00	100.52	10,052,180.00	33,298.61	10,085,478.61	AA+	0.30
FEDERAL FARM CREDIT BANK-A 0.540% Due 11-07-16	09-04-14	100.00	5,000,000	100.00	5,000,000.00	99.48	4,973,840.00	8,550.00	4,982,390.00	AA+	0.15
FEDERAL HOME LOAN MORTGAGE CORPORATION-B 0.080% Due 11-21-16	11-21-14	100.00	10,000,000	100.00	10,000,000.00	100.04	10,003,670.00	6,288.89	10,009,958.89	AA+	0.30
FEDERAL HOME LOAN BANK-B 0.750% Due 11-28-16	11-28-14	100.00	7,142,857	100.00	7,142,857.14	100.06	7,147,421.43	13,839.29	7,161,260.71	AA+	0.21
FEDERAL HOME LOAN BANK-M 0.750% Due 12-19-16	09-19-14	100.00	10,000,000	100.00	10,000,000.00	99.88	9,987,540.00	15,000.00	10,002,540.00	AA+	0.30
FEDERAL HOME LOAN BANK 0.625% Due 12-28-16			20,000,000	99.71	19,942,800.00	99.82	19,964,860.00	21,875.00	19,986,735.00	AA+	0.59
FEDERAL HOME LOAN MORTGAGE CORPORATION-B 0.875% Due 01-30-17	10-30-14	100.00	5,000,000	100.00	5,000,000.00	100.09	5,004,740.00	3,645.83	5,008,385.83	AA+	0.15
FEDERAL HOME LOAN MORTGAGE CORPORATION 0.875% Due 02-22-17			25,000,000	99.84	24,959,750.00	100.09	25,021,675.00	5,468.75	25,027,143.75	AA+	0.74
FEDERAL HOME LOAN BANK-1 1.500% Due 02-28-17	08-28-15	100.00	5,000,000	101.12	5,056,050.00	101.04	5,051,860.00	625.00	5,052,485.00	AA+	0.15
FEDERAL HOME LOAN MORTGAGE CORPORATION-B 1.000% Due 02-28-17	11-28-14	100.00	10,000,000	100.00	10,000,000.00	100.03	10,003,450.00	833.33	10,004,283.33	AA+	0.30
FEDERAL HOME LOAN MORTGAGE CORPORATION 1.000% Due 03-08-17			15,000,000	100.00	15,000,600.00	100.34	15,050,715.00	9,583.33	15,060,298.33	AA+	0.45
FEDERAL HOME LOAN BANK-1 1.625% Due 03-27-17	03-27-15	100.00	20,000,000	101.19	20,238,805.56	100.72	20,143,480.00	139,027.78	20,282,507.78	AA+	0.60
FEDERAL HOME LOAN MORTGAGE CORPORATION-B 0.920% Due 03-30-17	09-30-14	100.00	10,000,000	99.94	9,993,700.00	99.87	9,986,520.00	38,333.33	10,024,853.33	AA+	0.30
FEDERAL NATIONAL MORTGAGE ASSOCIATION 0.750% Due 04-20-17			10,000,000	99.65	9,965,100.00	99.58	9,957,970.00	27,291.67	9,985,261.67	AA+	0.29

SAN MATEO COUNTY TREASURER'S OFFICE
PORTFOLIO APPRAISAL
SAN MATEO COUNTY POOL
August 31, 2014

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL HOME LOAN BANK-1 1.625% Due 04-28-17	04-28-15	100.00	15,000,000	101.34	15,201,427.08	100.82	15,123,285.00	83,281.25	15,206,566.25	AA+	0.45
FEDERAL HOME LOAN MORTGAGE CORPORATION-B 1.125% Due 05-19-17	11-19-14	100.00	5,000,000	100.00	5,000,000.00	100.15	5,007,315.00	15,937.50	5,023,252.50	AA+	0.15
FEDERAL HOME LOAN BANK 0.875% Due 05-24-17			25,000,000	99.81	24,951,750.00	99.82	24,954,275.00	58,940.97	25,013,215.97	AA+	0.74
FEDERAL HOME LOAN MORTGAGE CORPORATION-B 1.000% Due 06-16-17	09-16-14	100.00	20,000,000	100.00	20,000,000.00	100.03	20,006,900.00	41,666.67	20,048,566.67	AA+	0.59
FEDERAL HOME LOAN MORTGAGE CORPORATION-B 1.000% Due 06-26-17	09-26-14	100.00	10,000,000	100.00	10,000,000.00	99.96	9,996,270.00	18,055.56	10,014,325.56	AA+	0.30
FEDERAL HOME LOAN BANK-B 1.050% Due 06-27-17	09-27-14	100.00	10,000,000	100.00	10,000,000.00	100.06	10,006,300.00	18,666.67	10,024,966.67	AA+	0.30
FEDERAL HOME LOAN MORTGAGE CORPORATION 1.000% Due 06-29-17			15,000,000	99.48	14,922,450.00	99.99	14,997,855.00	25,833.33	15,023,688.33	AA+	0.44
FEDERAL HOME LOAN MORTGAGE CORPORATION-B 1.050% Due 06-30-17	09-30-14	100.00	7,500,000	100.00	7,500,000.00	100.07	7,505,377.50	13,125.00	7,518,502.50	AA+	0.22
FEDERAL HOME LOAN MORTGAGE CORPORATION-1 1.100% Due 07-28-17	01-28-15	100.00	10,000,000	100.00	10,000,000.00	100.14	10,013,650.00	65,083.33	10,078,733.33	AA+	0.30
FEDERAL HOME LOAN BANK-1 1.125% Due 08-25-17	02-25-15	100.00	10,000,000	100.00	10,000,000.00	100.06	10,005,530.00	1,875.00	10,007,405.00	AA+	0.30
FEDERAL NATIONAL MORTGAGE ASSOCIATION-1 1.100% Due 08-25-17	02-25-15	100.00	15,000,000	100.00	15,000,000.00	99.95	14,992,710.00	2,750.00	14,995,460.00	AA+	0.44
FEDERAL NATIONAL MORTGAGE ASSOCIATION-B 1.100% Due 08-28-17	11-28-14	100.00	4,750,000	100.27	4,763,062.50	100.07	4,753,135.00	435.42	4,753,570.42	AA+	0.14
FEDERAL HOME LOAN BANK-B 1.100% Due 09-19-17	09-19-14	100.00	10,000,000	100.00	10,000,000.00	99.85	9,984,780.00	49,500.00	10,034,280.00	AA+	0.30
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.000% Due 09-20-17			30,000,000	100.30	30,088,850.00	99.57	29,871,090.00	134,166.67	30,005,256.67	AA+	0.88

SAN MATEO COUNTY TREASURER'S OFFICE

PORTFOLIO APPRAISAL

SAN MATEO COUNTY POOL

August 31, 2014

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL HOME LOAN MORTGAGE CORPORATION 1.000% Due 09-27-17			50,500,000	100.24	50,619,200.00	99.83	50,413,544.00	216,027.78	50,629,571.78	AA+	1.49
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.000% Due 09-27-17			30,000,000	99.64	29,892,900.00	99.70	29,910,990.00	128,333.33	30,039,323.33	AA+	0.88
FEDERAL NATIONAL MORTGAGE ASSOCIATION 0.875% Due 10-26-17			12,000,000	99.99	11,999,400.00	99.19	11,902,824.00	36,458.33	11,939,282.33	AA+	0.35
FEDERAL HOME LOAN MORTGAGE CORPORATION-B 1.000% Due 11-28-17	11-28-14	100.00	5,000,000	100.00	5,000,000.00	99.50	4,975,080.00	12,916.67	4,987,996.67	AA+	0.15
FEDERAL NATIONAL MORTGAGE ASSOCIATION 0.875% Due 12-20-17			10,000,000	99.55	9,955,500.00	98.90	9,890,120.00	17,256.94	9,907,376.94	AA+	0.29
FEDERAL NATIONAL MORTGAGE ASSOCIATION 0.875% Due 02-08-18			5,000,000	99.72	4,986,150.00	98.62	4,930,985.00	2,795.14	4,933,780.14	AA+	0.15
FEDERAL HOME LOAN BANK - M 1.250% Due 02-28-18	09-28-14	100.00	10,000,000	100.11	10,010,830.00	99.34	9,933,830.00	1,041.67	9,934,871.67	AA+	0.29
FEDERAL HOME LOAN MORTGAGE CORPORATION-B 1.200% Due 03-20-18	09-20-14	100.00	5,000,000	100.00	5,000,000.00	99.90	4,994,780.00	26,833.33	5,021,613.33	AA+	0.15
FEDERAL NATIONAL MORTGAGE ASSOCIATION-B 1.125% Due 03-28-18	09-28-14	100.00	2,500,000	100.00	2,500,000.00	99.44	2,485,940.00	11,953.12	2,497,893.12	AA+	0.07
FEDERAL NATIONAL MORTGAGE ASSOCIATION-B 1.000% Due 04-30-18	10-30-14	100.00	7,500,000	100.00	7,500,000.00	98.86	7,414,702.50	25,000.00	7,439,702.50	AA+	0.22
FEDERAL NATIONAL MORTGAGE ASSOCIATION 0.875% Due 05-21-18			28,000,000	99.79	27,940,080.00	98.11	27,471,360.00	68,055.56	27,539,415.56	AA+	0.81
FEDERAL NATIONAL MORTGAGE ASSOCIATION-B 1.500% Due 08-28-18	11-28-14	100.00	20,000,000	100.42	20,083,200.00	100.00	20,000,000.00	2,500.00	20,002,500.00	AA+	0.59

SAN MATEO COUNTY TREASURER'S OFFICE
PORTFOLIO APPRAISAL
SAN MATEO COUNTY POOL
August 31, 2014

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.750% Due 06-20-19			5,000,000	99.95	4,997,350.00	99.99	4,999,265.00	17,256.94	5,016,521.94	AA+	0.15
FEDERAL NATIONAL MORTGAGE ASSOCIATION 1.750% Due 09-12-19			10,000,000	99.44	9,943,700.00	99.63	9,962,580.00	82,152.78	10,044,732.78	AA+	0.29
FEDERAL HOME LOAN MORTGAGE CORPORATION-1 2.500% Due 10-17-19	10-17-14	100.00	25,000,000	101.23	25,306,291.67	100.27	25,067,100.00	232,638.89	25,299,738.89	AA+	0.74
FEDERAL NATIONAL MORTGAGE ASSOCIATION-1 2.500% Due 02-13-20	02-13-15	100.00	20,166,000	101.51	20,469,664.70	100.93	20,353,120.31	25,207.50	20,378,327.81	AA+	0.60
			1,566,463,857		1,566,903,683.97		1,566,089,801.36	2,337,188.21	1,568,426,989.57		46.31
FLOATING RATE SECURITIES											
ROYAL BANK OF CANADA - FLOATER 0.936% Due 10-30-14			10,000,000	100.00	10,000,000.00	100.11	10,011,420.00	8,320.89	10,019,740.89	AA-	0.30
WALT DISNEY COMPANY/THE - FLOATER 0.224% Due 02-11-15			15,000,000	100.00	15,000,000.00	100.02	15,003,000.00	1,490.67	15,004,490.67	A	0.44
COCA-COLA CO./THE 0.207% Due 03-05-15			6,000,000	100.00	6,000,000.00	99.98	5,998,806.00	3,007.30	6,001,813.30	AA-	0.18
UNITED TECHNOLOGIES CORP. 0.727% Due 06-01-15			5,000,000	100.00	5,000,000.00	100.37	5,018,590.00	9,192.90	5,027,782.90	A	0.15
IBM CORP - FLOATER 0.264% Due 07-29-15			15,000,000	100.00	15,000,000.00	100.03	15,004,845.00	3,301.25	15,008,146.25	AA-	0.44
BANK OF MONTREAL- FLOATER 0.481% Due 09-24-15			35,000,000	100.00	35,000,000.00	100.23	35,081,795.00	31,773.00	35,113,568.00	A+	1.04
WELLS FARGO & COMPANY - FLOATER 0.435% Due 10-28-15			10,000,000	99.52	9,952,400.00	100.08	10,007,980.00	3,867.56	10,011,847.56	A+	0.30
GENERAL ELECTRIC CAPITAL CORPORATION-FLTR 0.833% Due 01-08-16			10,000,000	100.00	10,000,000.00	100.64	10,063,880.00	12,496.50	10,076,376.50	AA+	0.30
BANK OF NEW YORK MELLON 0.457% Due 03-04-16			20,000,000	100.00	20,000,000.00	100.16	20,032,960.00	22,349.56	20,055,309.56	A+	0.59
ROYAL BANK OF CANADA 0.601% Due 03-08-16			10,000,000	100.00	10,000,000.00	100.36	10,036,230.00	14,014.00	10,050,244.00	AA-	0.30

SAN MATEO COUNTY TREASURER'S OFFICE

PORTFOLIO APPRAISAL

SAN MATEO COUNTY POOL

August 31, 2014

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
BANK OF NOVA SCOTIA 0.631% Due 03-15-16			20,000,000	100.00	20,000,000.00	100.35	20,070,600.00	26,275.00	20,096,875.00	A+	0.59
RABOBANK NEDERLAND 0.711% Due 03-18-16			8,000,000	100.00	8,000,000.00	100.49	8,039,392.00	11,527.51	8,050,919.51	AA-	0.24
APPLE INC. 0.289% Due 05-03-16			20,000,000	100.00	20,000,000.00	100.04	20,007,880.00	4,497.11	20,012,377.11	AA+	0.59
TORONTO-DOMINION BANK FLOAT 0.404% Due 07-13-16			20,000,000	100.00	20,000,000.00	100.07	20,014,740.00	10,986.89	20,025,726.89	AA-	0.59
BANK OF MONTREAL-FLOATER 0.754% Due 07-15-16			7,000,000	100.00	7,000,000.00	100.60	7,041,930.00	6,740.53	7,048,670.53	A+	0.21
TORONTO DOMINION BANK 0.691% Due 09-09-16			35,000,000	100.00	35,000,000.00	100.64	35,225,085.00	55,727.58	35,280,812.58	AA-	1.04
COCA-COLA CO./THE 0.340% Due 11-01-16			10,000,000	100.00	10,000,000.00	100.09	10,008,730.00	2,830.00	10,011,560.00	AA-	0.30
PROCTER & GAMBLE CO. - FLOATER 0.319% Due 11-04-16			4,000,000	100.00	4,000,000.00	100.00	4,000,048.00	957.30	4,001,005.30	AA-	0.12
BERKSHIRE HATHAWAY FIN 0.384% Due 01-10-17			15,000,000	100.00	15,000,000.00	100.16	15,024,705.00	8,151.50	15,032,856.50	AA	0.44
EXXON MOBIL CORPORATION 0.271% Due 03-15-17			25,000,000	100.00	25,000,000.00	100.05	25,012,575.00	14,469.58	25,027,044.58	AAA	0.74
BANK OF NOVA SCOTIA 0.544% Due 04-11-17			25,000,000	100.00	25,000,000.00	100.05	25,012,850.00	19,270.21	25,032,120.21	A+	0.74
GENERAL ELECTRIC CAPITAL CORPORATION-FLTR 0.514% Due 05-15-17			3,000,000	100.00	3,000,000.00	100.19	3,005,556.00	684.80	3,006,240.80	AA+	0.09
ORACLE CORP FLOATER 0.433% Due 07-07-17			25,000,000	100.00	25,000,000.00	100.20	25,049,425.00	16,241.25	25,065,666.25	A+	0.74
PNC BANK NA-1 0.540% Due 08-01-17	08-01-16	100.00	5,000,000	100.00	5,000,000.00	99.81	4,990,680.00	2,248.33	4,992,928.33	A	0.15
TORONTO DOMINION BANK 0.786% Due 04-30-18			8,000,000	100.00	8,000,000.00	100.84	8,067,184.00	5,590.04	8,072,774.04	AA-	0.24
APPLE INC. 0.489% Due 05-03-18			30,000,000	100.04	30,012,600.00	100.12	30,034,560.00	11,412.33	30,045,972.33	AA+	0.89
MERCK & CO INC. 0.591% Due 05-18-18			10,000,000	100.00	10,000,000.00	100.49	10,048,560.00	2,134.53	10,050,694.53	AA	0.30

SAN MATEO COUNTY TREASURER'S OFFICE
PORTFOLIO APPRAISAL
SAN MATEO COUNTY POOL
August 31, 2014

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
TORONTO-DOMINION BANK 0.671% Due 07-02-19			20,000,000	100.00	20,000,000.00	100.48	20,095,160.00	22,356.67	20,117,516.67	AA-	0.59
			426,000,000		425,965,000.00		427,009,166.00	331,914.79	427,341,080.79		12.63
CORPORATE BONDS											
IBM CORP. 0.550% Due 02-06-15			20,050,000	99.69	19,988,113.50	100.14	20,078,671.50	7,657.99	20,086,329.49	AA-	0.59
TOYOTA MOTOR CREDIT CORPORATION 3.200% Due 06-17-15			10,000,000	99.88	9,987,600.00	102.25	10,225,420.00	65,777.78	10,291,197.78	AA-	0.30
WELLS FARGO & COMPANY 1.500% Due 07-01-15			10,000,000	99.80	9,980,400.00	100.96	10,095,860.00	25,000.00	10,120,860.00	A+	0.30
MICROSOFT CORPORATION 1.625% Due 09-25-15			17,000,000	103.17	17,538,110.00	101.38	17,234,158.00	119,708.33	17,353,866.33	AAA	0.51
BANK OF NOVA SCOTIA 0.750% Due 10-09-15			15,000,000	100.00	14,999,550.00	100.37	15,055,575.00	44,375.00	15,099,950.00	A+	0.45
WAL-MART STORES INC. 1.500% Due 10-25-15			10,000,000	99.46	9,945,900.00	101.33	10,133,060.00	52,500.00	10,185,560.00	AA	0.30
BANK OF MONTREAL 0.800% Due 11-06-15			7,000,000	99.90	6,993,140.00	100.41	7,028,504.00	17,888.89	7,046,392.89	A+	0.21
GENERAL ELECTRIC CAPITAL CORPORATION 2.250% Due 11-09-15			5,000,000	103.50	5,174,800.00	102.00	5,099,795.00	35,000.00	5,134,795.00	AA+	0.15
COSTO WHOLESALE CORP. 0.650% Due 12-07-15			11,000,000	99.88	10,986,910.00	100.26	11,028,787.00	16,683.33	11,045,470.33	A+	0.33
GENERAL ELECTRIC CAPITAL CORPORATION 1.000% Due 01-08-16			20,000,000	99.68	19,935,800.00	100.52	20,103,920.00	29,444.44	20,133,364.44	AA+	0.59
WESTPAC BANKING CORP. 0.950% Due 01-12-16			15,000,000	99.88	14,982,750.00	100.51	15,076,605.00	19,395.83	15,096,000.83	AA-	0.45
WAL-MART STORES INC. 0.600% Due 04-11-16			7,000,000	99.93	6,995,030.00	100.15	7,010,465.00	16,333.33	7,026,798.33	AA	0.21
APPLE INC. 0.450% Due 05-03-16			15,000,000	99.82	14,972,850.00	99.84	14,976,120.00	22,125.00	14,998,245.00	AA+	0.44
IBM CORP. 0.450% Due 05-06-16			25,000,000	99.72	24,929,500.00	99.78	24,945,475.00	35,937.50	24,981,412.50	AA-	0.74
JOHNSON & JOHNSON 2.150% Due 05-15-16			4,500,000	104.83	4,717,485.00	102.78	4,625,221.50	28,487.50	4,653,709.00	AAA	0.14

SAN MATEO COUNTY TREASURER'S OFFICE

PORTFOLIO APPRAISAL

SAN MATEO COUNTY POOL

August 31, 2014

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
GOOGLE INC 2.125% Due 05-19-16			7,000,000	99.45	6,961,780.00	102.69	7,188,244.00	42,145.83	7,230,389.83	AA	0.21
IBM CORP. 1.950% Due 07-22-16			6,000,000	99.43	5,965,680.00	102.39	6,143,340.00	12,675.00	6,156,015.00	AA-	0.18
BERKSHIRE HATHAWAY FIN. 0.950% Due 08-15-16			5,000,000	99.95	4,997,350.00	100.67	5,033,710.00	2,111.11	5,035,821.11	AA	0.15
PROCTER & GAMBLE CO. 0.750% Due 11-04-16			5,000,000	99.99	4,999,550.00	100.03	5,001,475.00	12,187.50	5,013,662.50	AA-	0.15
BANK OF NOVA SCOTIA 1.100% Due 12-13-16			10,000,000	99.97	9,997,100.00	100.33	10,033,380.00	23,833.33	10,057,213.33	A+	0.30
BERKSHIRE HATHAWAY INC. 1.900% Due 01-31-17			20,000,000	99.99	19,999,000.00	102.18	20,436,920.00	31,666.67	20,468,586.67	AA	0.60
EXXON MOBIL CORPORATION 0.921% Due 03-15-17			20,000,000	100.00	20,000,000.00	100.06	20,011,080.00	84,936.67	20,096,016.67	AAA	0.59
GENERAL ELECTRIC CAPITAL CORPORATION 2.300% Due 04-27-17			10,000,000	103.73	10,373,000.00	102.81	10,280,740.00	79,222.22	10,359,962.22	AA+	0.30
GENERAL ELECTRIC CAPITAL CORPORATION 1.250% Due 05-15-17			5,000,000	99.98	4,999,250.00	100.26	5,012,960.00	18,402.78	5,031,362.78	AA+	0.15
WALT DISNEY COMPANY/THE 0.875% Due 05-30-17			15,000,000	99.82	14,973,000.00	99.50	14,925,735.00	32,812.50	14,958,547.50	A	0.44
WELLS FARGO & COMPANY 1.150% Due 06-02-17			25,000,000	99.87	24,968,500.00	99.71	24,926,775.00	71,076.39	24,997,851.39	A+	0.74
ROYAL BANK OF CANADA 1.250% Due 06-16-17			15,000,000	99.96	14,994,300.00	100.08	15,012,720.00	39,062.50	15,051,782.50	AA-	0.44
TOYOTA MOTOR CREDIT CORPORATION 1.250% Due 10-05-17			10,000,000	99.94	9,994,200.00	99.79	9,979,240.00	50,694.44	10,029,934.44	AA-	0.30
WELLS FARGO & COMPANY 1.500% Due 01-16-18			8,000,000	99.82	7,985,600.00	99.83	7,986,040.00	15,000.00	8,001,040.00	A+	0.24
TORONTO DOMINION BANK 1.400% Due 04-30-18			12,000,000	99.93	11,991,960.00	98.98	11,877,924.00	56,000.00	11,933,924.00	AA-	0.35
MICROSOFT CORP. 1.000% Due 05-01-18			5,000,000	99.94	4,996,850.00	98.67	4,933,620.00	16,666.67	4,950,286.67	AAA	0.15
APPLE INC. 1.000% Due 05-03-18			20,000,000	99.43	19,886,700.00	98.04	19,607,320.00	65,555.56	19,672,875.56	AA+	0.58

SAN MATEO COUNTY TREASURER'S OFFICE

PORTFOLIO APPRAISAL

SAN MATEO COUNTY POOL

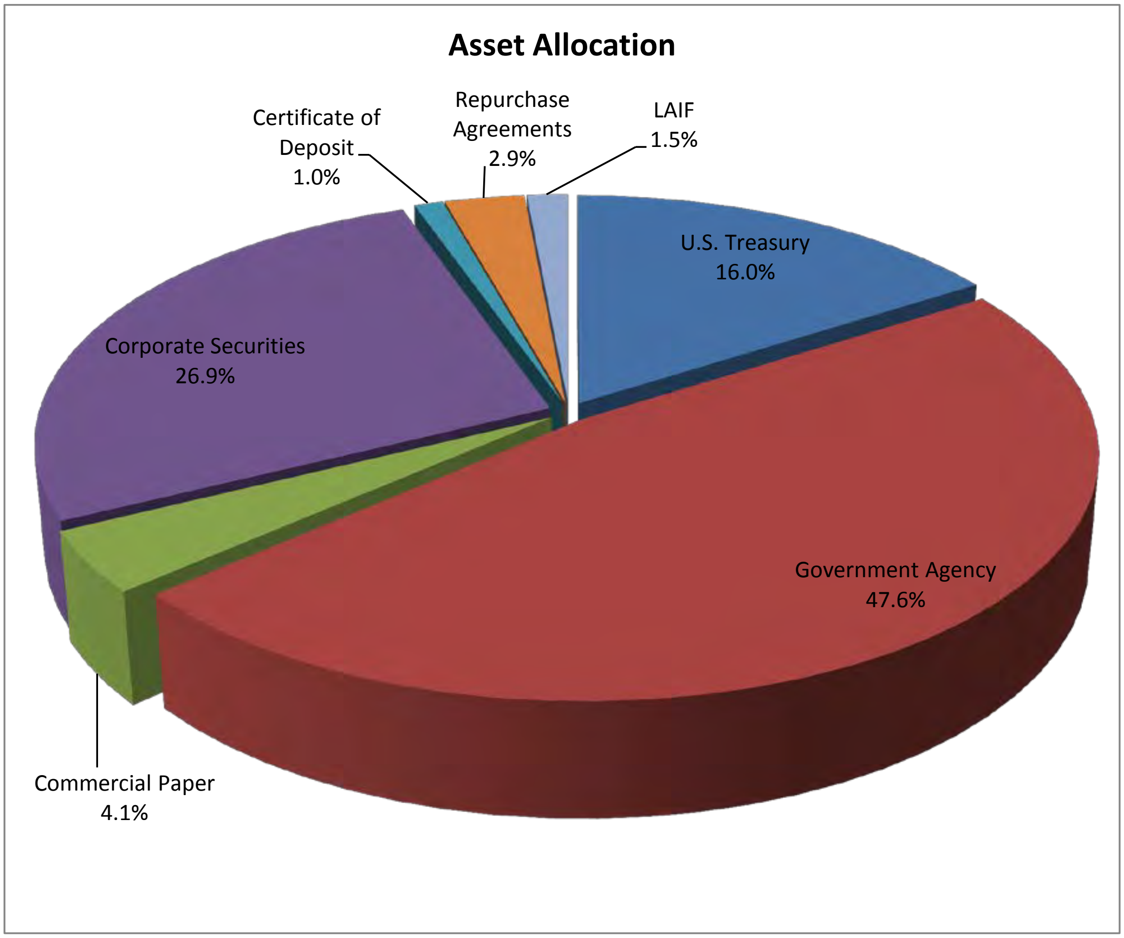
August 31, 2014

Security	Call Date One	Call Price One	Quantity	Unit Cost	Total Cost	Market Price	Market Value	Accrued Interest	Market Value + Accrued Interest	S&P	Pct Assets
BERKSHIRE HATHAWAY FIN. 1.300% Due 05-15-18			8,000,000	99.94	7,995,360.00	98.87	7,909,496.00	30,622.22	7,940,118.22	AA	0.23
CHEVRON CORPORATION 1.718% Due 06-24-18			10,000,000	100.00	10,000,000.00	100.68	10,068,370.00	31,973.89	10,100,343.89	AA	0.30
COCA-COLA CO./THE 1.650% Due 11-01-18			10,000,000	99.86	9,985,700.00	100.31	10,030,710.00	55,000.00	10,085,710.00	AA-	0.30
PROCTER & GAMBLE CO. 1.600% Due 11-15-18			7,000,000	99.83	6,988,170.00	100.03	7,001,862.00	32,977.78	7,034,839.78	AA-	0.21
RABOBANK NEDERLAND NY 2.250% Due 01-14-19			7,000,000	99.43	6,959,960.00	101.61	7,112,826.00	20,562.50	7,133,388.50	AA-	0.21
EXXON MOBIL CORPORATION 1.819% Due 03-15-19			15,000,000	100.00	15,000,000.00	100.58	15,086,955.00	125,814.17	15,212,769.17	AAA	0.45
BANK OF NEW YORK MELLON 2.200% Due 05-15-19			10,000,000	99.81	9,980,600.00	100.58	10,057,620.00	64,777.78	10,122,397.78	A+	0.30
3M COMPANY 1.625% Due 06-15-19			25,000,000	99.43	24,858,500.00	99.05	24,762,475.00	85,763.89	24,848,238.89	AA-	0.73
			481,550,000		481,980,048.50		483,139,174.00	1,637,856.32	484,777,030.32		14.29
TOTAL PORTFOLIO			**3,385,213,857**		**3,383,328,718.50**		**3,381,971,624.58**	**5,719,219.89**	**3,387,690,844.47**		**100.00**

** TOTAL COST DOES NOT REFLECT AMORTIZATIONS OR ACCRETIONS BUT INCLUDES PURCHASED ACCRUED INTEREST. MARKET PRICES ARE DOWNLOADED THROUGH (IDC) INTERACTIVE DATA CORP.

San Mateo County Treasurer - Asset Allocation

as of August 31, 2014

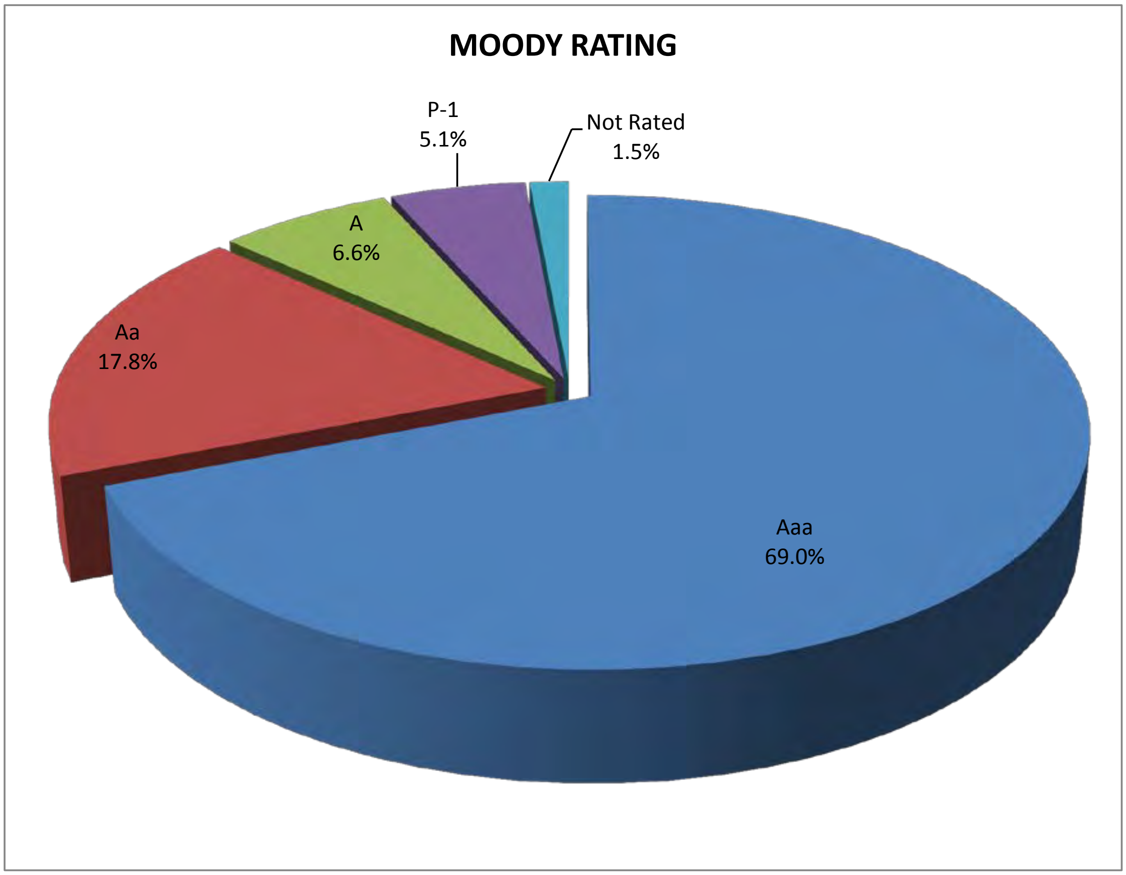


Sector:	**Market Value:***	
U.S. Treasury	540,902,415	16.0%
Government Agency	1,613,454,613	47.6%
Commercial Paper	138,679,899	4.1%
Corporate Securities	912,118,111	26.9%
Certificate of Deposit	35,020,575	1.0%
Repurchase Agreements	97,500,217	2.9%
LAIF	50,015,014	1.5%
Totals	3,387,690,844	100.0%

*Market Values listed include accrued interest for the reported period.

San Mateo County Treasurer - Credit Quality

as of August 31, 2014

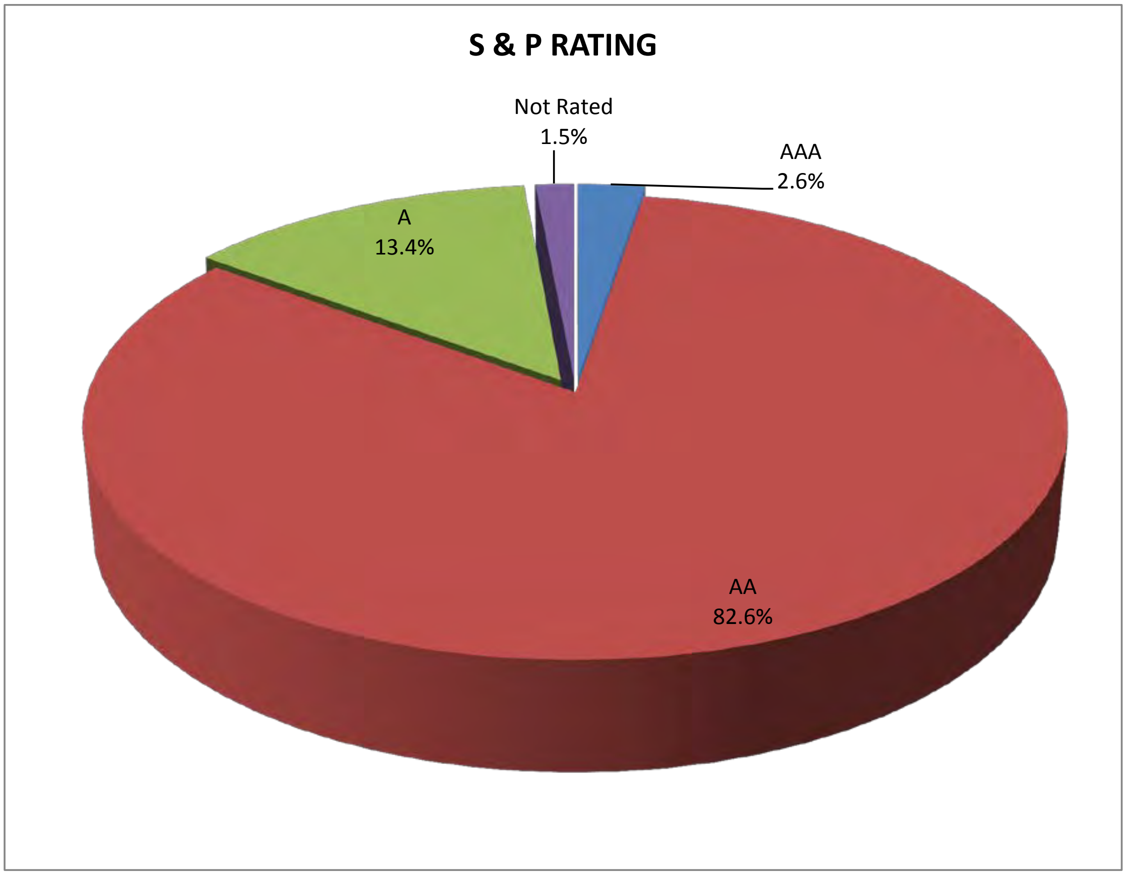


Rating:	**Market Value:***	
Aaa	2,339,150,937	69.0%
Aa	601,627,430	17.8%
A	223,196,989	6.6%
P-1	173,700,475	5.1%
Not Rated	50,015,014	1.5%
Totals	3,387,690,844	100.0%

*Market Values listed include accrued interest for the reported period.

San Mateo County Treasurer - Credit Quality

as of August 31, 2014



Rating:	Market Value:*	
AAA	87,293,692	2.6%
AA	2,797,782,681	82.6%
A	452,599,457	13.4%
Not Rated	50,015,014	1.5%
Totals	3,387,690,844	100.0%

*Market Values listed include accrued interest for the reported period.

DIVERSIFICATION REPORT

August 31, 2014 **Portfolio Par Value** **3,385,213,857.14**

	Corp. Bond fltr	Corporate Bond	Covered Bond	Comm. Paper	Cert. Deposit	TOTAL	% to Portf
Apple	50,000,000	35,000,000				85,000,000	2.51%
Bank of Montreal	42,000,000	7,000,000				49,000,000	1.45%
Bank of New York	20,000,000	10,000,000				30,000,000	0.89%
Bank of Nova Scotia	45,000,000	25,000,000				70,000,000	2.07%
Berkshire Hathwy	15,000,000	33,000,000				48,000,000	1.42%
Chevron Corp		10,000,000				10,000,000	0.30%
Coca Cola/KO	16,000,000	10,000,000				26,000,000	0.77%
Costco Wholesale Corp		11,000,000				11,000,000	0.32%
Deutsche Bank				50,000,000	10,000,000	60,000,000	1.77%
Exxon Mobil	25,000,000	35,000,000				60,000,000	1.77%
General Elec. Captl Corp.	13,000,000	40,000,000				53,000,000	1.57%
Google Inc.		7,000,000				7,000,000	0.21%
IBM Corp.	15,000,000	51,050,000				66,050,000	1.95%
Johnson & Johnson		4,500,000				4,500,000	0.13%
3M Company		25,000,000				25,000,000	0.74%
Merck	10,000,000					10,000,000	0.30%
Microsoft Corp.		22,000,000				22,000,000	0.65%
Oracle Corp.	25,000,000					25,000,000	0.74%
Procter & Gamble Co.	4,000,000	12,000,000				16,000,000	0.47%
PNC Bank	5,000,000					5,000,000	0.15%
Rabo Bank	8,000,000	7,000,000				15,000,000	0.44%
Royal Bank of Canada	20,000,000	15,000,000				35,000,000	1.03%
Toronto Dominion Bank	83,000,000	12,000,000				95,000,000	2.81%
Toyota Motor Credit		20,000,000		13,700,000		33,700,000	1.00%
United Technologies Corp	5,000,000					5,000,000	0.15%
Union Bank				75,000,000		75,000,000	2.22%
Wal Mart Stores		17,000,000				17,000,000	0.50%
Walt Disney	15,000,000	15,000,000				30,000,000	0.89%
Wells Fargo & Company	10,000,000	43,000,000			25,000,000	78,000,000	2.30%
Westpacc		15,000,000				15,000,000	0.44%
	426,000,000	**481,550,000**	**0**	**138,700,000**	**35,000,000**	**1,081,250,000**	**31.94%**

ROLLING YEAR PROJECTED CASH FLOW

(IN 000'S)

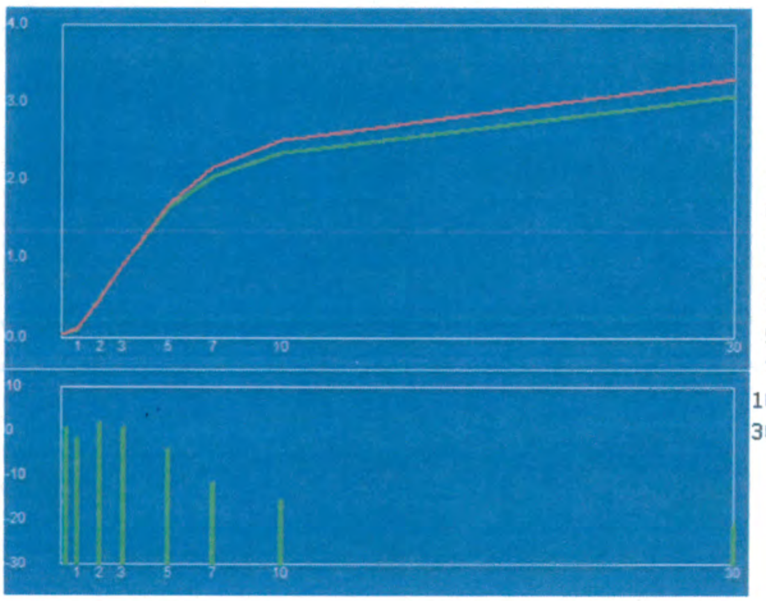
	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	TOTAL
				2014	2015								
CASH IN:													
Taxes:													
Secured	$5,379.7	$146,893.9	$250,190.9	$415,550.0	$46,587.3	$41,314.2	$157,403.0	$321,098.4	$2,683.2	$1,765.3	$1,175.2	$126.3	**$1,390,167.4**
Unsecured	$10,617.1	$545.5	$512.1	$100.1	$73.3	$70.4	$49.7	$0.0	$0.0	$0.0	$3,184.8	$29,101.2	**$44,254.2**
Supplemental	$570.1	$395.9	$977.5	$1,573.3	$67.5	$553.2	$925.1	$83.1	$170.9	$0.0	$61.9	$26.3	**$5,404.8**
Mixed	$38,679.8	$31,262.3	$59,701.7	$147,460.8	$22,677.5	$22,396.4	$53,168.6	$135,550.2	$8,007.2	$9,519.8	$12,165.1	$41,595.8	**$582,185.2**
Automatics	$33,905.7	$39,296.9	$44,561.0	$39,647.4	$34,419.8	$42,188.1	$39,587.0	$37,555.1	$43,717.9	$38,580.4	$60,568.5	$35,434.1	**$489,461.9**
Automatics - Schools Appt	$25,032.3	$21,814.4	$15,427.0	$25,477.8	$17,517.6	$23,218.7	$29,399.9	$10,699.4	$575.2	$46,261.1	$31,446.3	$17,684.1	**$264,553.8**
Unscheduled Sub. (Lockbox)	$22,912.0	$32,105.8	$33,857.4	$25,127.3	$16,215.0	$8,825.7	$18,996.8	$27,023.7	$15,537.1	$35,387.5	$23,064.1	$24,335.5	**$283,387.9**
Treasurer's Deposit	$65,580.7	$94,988.8	$52,980.4	$87,398.0	$74,356.9	$50,506.9	$77,133.4	$144,103.5	$69,937.3	$105,156.1	$51,244.4	$56,270.6	**$929,657.0**
Hospitals (Treasurer's Office)	$11,616.7	$11,385.4	$11,324.0	$10,645.5	$11,289.9	$10,200.6	$12,253.1	$10,985.3	$14,658.8	$12,280.3	$14,706.5	$15,255.7	**$146,601.8**
Revenue Services	$241.4	$182.3	$145.4	$175.4	$149.6	$147.6	$149.5	$225.5	$667.6	$192.6	$681.5	$616.1	**$3,574.5**
Housing Authority	$5,483.0	$3,388.2	$3,737.5	$5,069.2	$3,579.1	$3,451.0	$4,458.6	$3,225.0	$3,388.4	$2,939.0	$3,202.5	$3,676.1	**$45,597.6**
TRAN/OTHER Deposits-county	$0.0	$0.0	$1,428.7	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$25,910.2	$1,305.4	**$28,644.3**
TRAN/OTHER Deposits-schools	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$62,474.2	$5,837.3	**$68,311.5**
Bond/BANS Proceeds	$76,238.9	$0.0	$0.0	$0.0	$0.0	$0.0	$4,500.0	$0.0	$0.0	$0.0	$0.0	$3,254.8	**$83,993.7**
Retirement Deposit	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	**$0.0**
Coupon Interest	$2,006.0	$1,283.9	$1,788.3	$1,352.8	$1,526.0	$1,145.6	$1,478.5	$2,281.1	$1,606.2	$1,101.2	$977.1	$1,178.3	**$17,725.0**
LAIF WITHDRAWAL	$40,000.0												**$40,000.0**
TOTAL CASH IN:	$338,263.4	$383,543.3	$476,631.9	$759,577.6	$228,459.5	$204,018.4	$399,503.2	$692,830.3	$160,949.8	$253,183.3	$290,862.3	$235,697.6	**$4,423,520.5**
CASH OUT:													
Tax Apportionments: checks	$0.0	($6,981.9)	$0.0	($126,491.7)	($63,351.7)	($2,389.8)	($2,580.3)	($95,808.7)	($20,588.0)	($7,010.0)	($3,150.0)	($196.6)	**($328,548.7)**
Outside Withdrawals	($4,912.5)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	($18,903.9)	$0.0	($22,312.7)	($19,112.1)	**($65,241.2)**
Returned Checks/Miscellaneous	($134.0)	($184.8)	($300.7)	($843.8)	($171.1)	($245.7)	($1,057.1)	($622.6)	($101.7)	($121.6)	($7.6)	($4,152.4)	**($7,943.1)**
TRAN/Other Payments-county	($2,868.4)	($2,868.4)	($2,868.4)	($2,868.4)	($2,868.4)	($115.5)	($115.5)	($115.5)	($115.5)	($115.5)	($78,267.4)	($7,768.2)	**($100,954.8)**
TRAN/Other Payments-schools	($2,345.4)	($10,074.7)	$0.0	$0.0	$0.0	$0.0	($2,525.0)	$0.0	($38,297.0)	$0.0	($20,711.3)	($701.4)	**($74,654.8)**
GO Bond/BANS Payments	($57,214.0)	($6,670.4)	$0.0	($651.1)	($19,079.7)	($10,263.0)	($21,818.0)	($1,787.3)	$0.0	($651.1)	($25,206.7)	($38,545.5)	**($181,886.8)**
Housing Authority	($5,427.0)	($3,357.3)	($3,309.6)	($3,951.4)	($3,401.3)	($3,281.8)	($5,426.5)	($3,793.2)	($3,299.4)	($3,277.1)	($3,186.0)	($3,116.1)	**($44,826.7)**
Payroll-county	($33,794.8)	($32,837.0)	($45,541.2)	($39,732.2)	($34,987.0)	($34,281.2)	($34,226.7)	($37,248.6)	($46,120.3)	($33,049.8)	($35,210.1)	($35,035.2)	**($442,064.1)**
schools	($44,697.6)	($54,074.9)	($68,297.6)	($58,097.7)	($40,741.1)	($53,754.8)	($54,443.6)	($54,991.0)	($56,104.5)	($67,306.5)	($36,485.8)	($36,385.1)	**($625,380.2)**
retirement	($11,112.5)	($12,756.6)	($12,536.6)	($12,329.0)	($13,126.5)	($12,679.9)	($12,817.4)	($13,188.3)	($13,238.5)	($12,551.0)	($13,073.1)	($13,281.8)	**($152,691.2)**
School Vendors	($60,812.5)	($50,661.1)	($50,347.8)	($60,345.7)	($40,022.5)	($44,441.1)	($51,813.0)	($42,543.0)	($53,886.2)	($58,865.9)	($56,638.4)	($49,587.2)	**($619,964.4)**
Controllers EDP	($57,640.6)	($86,350.9)	($71,788.9)	($75,648.6)	($74,144.1)	($57,111.0)	($59,058.3)	($67,369.9)	($62,537.3)	($87,518.3)	($72,745.3)	($54,323.4)	**($826,236.6)**
SMCCCD	($18,365.5)	($14,634.4)	($15,461.5)	($15,931.6)	($11,548.6)	($14,701.2)	($15,360.9)	($13,763.0)	($13,195.5)	($3,910.4)	($15,338.0)	($11,556.4)	**($163,767.0)**
LAIF DEPOSIT													**$0.0**
Other ARS Debits	($16,786.4)	($17,705.4)	($17,064.7)	($13,501.6)	($15,983.7)	($16,653.3)	($21,852.4)	($14,026.4)	($23,060.8)	($17,700.5)	($18,983.5)	($18,506.5)	**($211,825.2)**
TOTAL CASH OUT:	($316,111.2)	($299,157.8)	($287,517.0)	($410,392.8)	($319,425.6)	($249,918.3)	($283,094.6)	($345,257.5)	($349,448.6)	($292,077.7)	($401,315.9)	($292,267.9)	**($3,845,984.8)**
TOTAL ESTIMATED CASH FLOW	$22,152.2	$84,385.5	$189,114.9	$349,184.8	($90,966.1)	($45,899.9)	$116,408.6	$347,572.8	($188,498.8)	($38,894.4)	($110,453.6)	($56,570.3)	**$577,535.7**
QUARTERLY CASH FLOW TOTALS	$22,152.2			$622,685.3			($20,457.5)			$120,179.6			**$744,559.7**
****MATURING SECURITIES**	**$287,005.0**	**$222,240.0**	**$63,750.0**	**$75,000.0**	**$40,000.0**	**$100,050.0**	**$16,000.0**	**$30,000.0**	**$0.0**	**$41,000.0**	**$74,110.0**	**$80,000.0**	**$1,029,155.0**
** Excludes any overnight investment													
Possible Calls	**$195,000.0**	**$52,500.0**	**$61,893.0**	**$0.0**	**$10,000.0**	**$120,166.0**	**$44,110.0**	**$15,000.0**	**$0.0**	**$0.0**	**$0.0**	**$5,000.0**	**$503,669.0**

MONTHLY YIELD CURVE
AUGUST 2014

TW U.S. Treasury Historical Yield Curve (HYC) (ctovstein-County of San Mateo) Tradeweb W7.26GS

U.S. Treasury Historical Yield Curve Important Notice

Tkt | Calc | Sens | Hor | COC | HVol | SDesc | Chart



Date1 08/31/2014 - +
Date2 08/01/2014 - +
Update

	Date1	Date2	Diff
3mo	0.025	0.025	0.0
6mo	0.051	0.046	0.5
1yr	0.089	0.109	-2.0
2yr	0.492	0.476	1.6
3yr	0.929	0.923	0.6
5yr	1.628	1.673	-4.5
7yr	2.045	2.163	-11.8
10yr	2.345	2.505	-16.0
30yr	3.085	3.296	-21.1

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Refunding Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Refunding Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Refunding Bonds (the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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

Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

CALIFORNIA

ENDORSEMENT TO

MUNICIPAL BOND INSURANCE POLICY

NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

____

Authorized Officer