PRELIMINARY OFFICIAL STATEMENT DATED MARCH 4, 2013

NEW ISSUE — BOOK-ENTRY ONLY

Rating: Moody's: "Aa3"
(See "MISCELLANEOUS — Rating" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2013 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2013 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2013 Bonds. See "TAX MATTERS" herein.

$21,000,000*
WESTMINSTER SCHOOL DISTRICT
General Obligation Bonds,
Election of 2008, Series 2013A
(Orange County, California)

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 Westminster School District General Obligation Bonds, Election of 2008, Series 2013A (the "Series 2013 Bonds") are issued by Orange County (the "County") on behalf of the Westminster School District (the "District") (i) to pay the Westminster School District General Obligation Bond Anticipation Notes, 2008 Election, Series A on their maturity date; and (ii) to finance certain school facilities projects as further described herein. The Board of Supervisors of the County is empowered and is 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, accreted value or maturity value of and interest on the Series 2013 Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2013 BONDS" herein.

The Series 2013 Bonds will be issued as current interest bonds (the "Current Interest Bonds"), capital appreciation bonds (the "Capital Appreciation Bonds") and capital appreciation bonds that convert to current interest bonds (the "Convertible Capital Appreciation Bonds"), all as set forth on the inside front cover hereof. The Current Interest Bonds shall be issued in principal amounts of $5,000 or any integral multiple thereof as shown on the inside front cover hereof. Interest on the Current Interest Bonds is payable on August 1, 2013, and thereafter on each February 1 and August 1 to maturity. Principal of the Current Interest Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.

The Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their maturity value payable only at maturity on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. Interest on the Capital Appreciation Bonds will be compounded on each February 1 and August 1 to maturity, commencing August 1, 2013.

The Series 2013 Bonds issued as Convertible Capital Appreciation Bonds will initially constitute capital appreciation bonds and will convert to current interest bonds on their respective conversion dates as set forth on the inside front cover hereof (each a "Conversion Date"). Prior to the Conversion Date thereof, the Convertible Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their stated accreted value at the Conversion Date thereof payable only at maturity on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. Prior to the Conversion Date of a Convertible Capital Appreciation Bond, interest on such Convertible Capital Appreciation Bond will be compounded on each February 1 and August 1, commencing August 1, 2013. From and after the Conversion Date of a Convertible Capital Appreciation Bond, such Convertible Capital Appreciation Bond will bear current interest on the accreted value thereof at the rates set forth on the inside front cover page of this Official Statement, payable on each February 1 and August 1 to maturity, commencing on the February 1 or August 1 immediately following such Conversion Date.

The Series 2013 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 Series 2013 Bonds. Individual purchases of the Series 2013 Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series 2013 Bonds purchased by them. See "THE SERIES 2013 BONDS – Form and Registration" herein. Payments of principal of, accreted value or maturity value of and interest on the Series 2013 Bonds will be made by the Paying Agent, initially U.S. Bank National Association, to DTC, for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Series 2013 Bonds. See "THE SERIES 2013 BONDS – Payment of Principal and Accreted Interest" herein.

The Series 2013 Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2013 BONDS – Redemption" herein.

MATURITY SCHEDULE – See Inside Front Cover

The Series 2013 Bonds will be offered when, as and if issued by the District and received by the Underwriters, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, and certain other conditions. Certain legal matters will be passed upon for the District by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Cerritos, California as counsel to the District, and by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District. It is anticipated that the Series 2013 Bonds, in definitive form, will be available for delivery through the facilities of DTC in New York, New York, on or about March 27, 2013.

PiperJaffray | US Bancorp

The date of this Official Statement is __________, 2013

---

* *Preliminary; subject to change.*

MATURITY SCHEDULE*

BASE CUSIP[1]: __________

$21,000,000*
WESTMINSTER SCHOOL DISTRICT
General Obligation Bonds,
Election Of 2008, Series 2013A
(Orange County, California)

$__________ Current Interest Bonds

$__________ Serial Current Interest Bonds

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

$__________ _____% Term Current Interest Bonds due August 1, 20__ − Yield _____% – CUSIP Number[1] _____

$__________ Capital Appreciation Bonds

Maturity (August 1)	Initial Principal (Denominational) Amount	Accretion Rate	Reoffering Yield	Maturity Value	CUSIP Number[1]

$__________ Convertible Capital Appreciation Bonds

$__________ Initial Principal Amount of Term Convertible Capital Appreciation Bonds due August 1, 20__
_____% Accretion Rate to (but excluding) Conversion Date
August 1, 20__ Conversion Date - $__________ Stated Accreted Value at Conversion Date
_____% Interest Rate from and after Conversion Date
Reoffering Yield _____% − CUSIP Number[1] ______

* *Preliminary; subject to change.*

[1] Copyright 2013, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for convenience of reference only. Neither the District nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.

WESTMINSTER SCHOOL DISTRICT
(ORANGE COUNTY, CALIFORNIA)

DISTRICT ADMINISTRATORS

Richard Tauer, *Superintendent*
Christine Fullerton, *Assistant Superintendent, Business Services*
Sandy Poteet, *Director of Purchasing & Financial Services*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

District Counsel

Atkinson, Andelson, Loya, Ruud & Romo,
A Professional Law Corporation
Cerritos, California

Program Manager, Advisor & Administrator

California Financial Services
Mission Viejo, California

Financial and Tax Base Consultant

Dolinka Group LLC
Irvine, California

Paying Agent

U.S. Bank National Association
Los Angeles, California

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2013 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 Series 2013 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 Series 2013 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 Series 2013 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 respective 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.

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 Series 2013 Bonds.

In connection with this offering, the Underwriters may overallot or effect transactions which stabilize or maintain the market prices of the Series 2013 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 Series 2013 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.

TABLE OF CONTENTS

Page

INTRODUCTION 1
- General 1
- The District 1
- Possible Municipal Bond Insurance 2

THE SERIES 2013 BONDS 2
- Authority for Issuance; Purpose 2
- Form and Registration 3
- Payment of Principal and Interest 3
- Redemption 5
- Defeasance of Series 2013 Bonds 7
- Unclaimed Moneys 8
- Application and Investment of Series 2013 Bond Proceeds; Plan of Finance 8
- Estimated Sources and Uses of Funds 9
- Debt Service 10
- Outstanding Bonds 11
- Aggregate Debt Service 12

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2013 BONDS 13
- General 13
- Property Taxation System 13
- Assessed Valuation of Property Within the District 13
- Tax Rates 19
- Tax Charges and Delinquencies 20
- Teeter Plan 21
- Direct and Overlapping Debt 22

TAX MATTERS 24

OTHER LEGAL MATTERS 25
- Legal Opinion 25
- Legality for Investment in California 26
- Continuing Disclosure 26
- No Litigation 26

MISCELLANEOUS 27
- Rating 27
- Professionals Involved in the Offering 27
- Underwriting 27

ADDITIONAL INFORMATION 28

TABLE OF CONTENTS
(continued)

Page

APPENDIX A – INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET A-1
APPENDIX B – FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012 ..... B-1
APPENDIX C – PROPOSED FORM OF OPINION OF BOND COUNSEL C-1
APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE D-1
APPENDIX E – ORANGE COUNTY EDUCATIONAL INVESTMENT POOL DISCLOSURE E-1
APPENDIX F – ORANGE COUNTY INVESTMENT POLICY STATEMENT F-1
APPENDIX G – BOOK-ENTRY ONLY SYSTEM G-1
APPENDIX H – TABLE OF ACCRETED VALUES OF CAPITAL APPRECIATION BONDS H-1
APPENDIX I – TABLE OF ACCRETED VALUES OF CONVERTIBLE CAPITAL APPRECIATION BONDS I-1

$21,000,000*
WESTMINSTER SCHOOL DISTRICT
General Obligation Bonds,
Election of 2008, Series 2013A
(Orange County, California)

INTRODUCTION

General

This Official Statement, which includes the cover page, the inside cover page and appendices hereto, is provided to furnish information in connection with the sale of $21,000,000* aggregate initial principal amount of Westminster School District General Obligation Bonds, Election of 2008, Series 2013A (the "Series 2013 Bonds"), consisting of current interest bonds ("Current Interest Bonds"), capital appreciation bonds ("Capital Appreciation Bonds"), and convertible capital appreciation bonds that convert to current interest bonds ("Convertible Capital Appreciation Bonds"), as indicated on the inside front cover page hereof, to be offered by the Westminster School District (the "District").

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 Series 2013 Bonds. Quotations from and summaries and explanations of the Series 2013 Bonds, the resolution of the Board of Trustees of the District and the Board of Supervisors of Orange County (the "County") providing for the issuance and payment of the Series 2013 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 Series 2013 Bonds.

Copies of documents referred to herein and information concerning the Series 2013 Bonds are available from the District by contacting: Westminster School District, 14121 Cedarwood Avenue, Westminster, California 92683, Attention: Assistant Superintendent, Business Services. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District was established in 1872 and serves various communities in the County, including the cities of Garden Grove, Huntington Beach, Midway City and Westminster. The District currently operates 13 elementary schools, three middle schools, one child development school and a special programs center. Student enrollment at the District is currently estimated to be approximately 9,640 students.

---
* *Preliminary; subject to change.*

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 THE FISCAL YEAR ENDED JUNE 30, 2012."

Possible Municipal Bond Insurance

In connection with the issuance of the Series 2013 Bonds, the District has applied for, and may obtain, from Build America Mutual Assurance Company (the "Insurer") a municipal bond insurance policy (the "Insurance Policy") to guarantee the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds and Convertible Capital Appreciation Bonds, the maturity or accreted value) and interest on all or a portion of the Series 2013 Bonds as such payments shall become due.

No assurance can be given as to whether a commitment will be issued by the Insurer to the District and, if a commitment is issued by the Insurer to the District, no assurance can be given as to (a) whether the District will decide to obtain the Insurance Policy from the Insurer in connection with the issuance of the Series 2013 Bonds, or (b) whether the District will insure all or less than all of the Series 2013 Bonds. If a commitment is issued by the Insurer to the District, the District's decision as to whether or not the Insurance Policy will be obtained from the Insurer with respect to all or a portion of the Series 2013 Bonds will be made at or about the time of the pricing of the Series 2013 Bonds and will be based upon, among other things, market conditions existing at such time. If the District does decide to obtain the Insurance Policy from the Insurer, it will be a condition to the issuance of the Series 2013 Bonds that such Insurance Policy be issued concurrently with the issuance of the Series 2013 Bonds.

THE SERIES 2013 BONDS

Authority for Issuance; Purpose

The Series 2013 Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Sections 53506 *et seq.* of the Government Code, including Section 53508.7 thereof, and Section 15140 of the Education Code, and other applicable provisions of law. The Series 2013 Bonds are authorized to be issued pursuant to a resolution adopted by the Board of Trustees of the District on November 8, 2012, and a resolution adopted by the Board of Supervisors of the County on January 15, 2013 (the "County Resolution"). Capitalized undefined terms have the meanings ascribed thereto in the County Resolution.

At an election held on November 4, 2008, the District received authorization under Measure O to issue bonds of the District in an aggregate principal amount not to exceed $130,000,000 to improve health and safety and recruit and retain teachers at elementary and middle schools by improving student safety at drop-off zone, upgrading computer technology, math and science labs and energy efficiency, installing emergency communication systems, expanding after-school tutoring and mentoring space, and replacing outdated bathroom plumbing (the "2008 Authorization"). Measure O required approval by at least 55% of the votes cast by eligible voters within the District and received an approval vote of approximately 55.8%. On October 8, 2009, the County, on behalf of the District, issued the Westminster School District General Obligation Bonds, Election of 2008, Series 2009A-1, in the aggregate initial principal amount of $34,995,681.30 (the "Series 2009A-1 Bonds") as the District's first series of authorized bonds to be issued under the 2008 Authorization. In anticipation of issuing additional authorized bonds, the District previously issued the $17,000,000 aggregate principal amount of Westminster School District General Obligation Bond Anticipation Notes, 2008 Election, Series A (the "Series A Notes") and $18,000,000 aggregate principal amount of Westminster School District General Obligation Bond Anticipation Notes, 2008 Election, Series B (the "Series B Notes" and together with the Series A Notes, the "Notes"). The proceeds of the Notes were applied to authorized projects as described in the 2008 Authorization. The Series A Notes mature on March 29, 2013. The Series B Notes mature on September 1, 2014.

The Series 2013 Bonds represent the second series of the authorized bonds to be issued under the 2008 Authorization and are being issued (i) to pay the Series A Notes on their maturity date and (ii) to finance authorized projects. See "– Application and Investment of Series 2013 Bond Proceeds; Plan of Finance" herein.

Form and Registration

The Series 2013 Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 principal amount, maturity value or accreted value at their Conversion Date, as applicable, or integral multiples thereof. The Series 2013 Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Series 2013 Bonds. Purchases of Series 2013 Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Series 2013 Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Series 2013 Bonds, beneficial owners ("Beneficial Owners") will not receive physical certificates representing their ownership interests. See APPENDIX G − "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

The Series 2013 Bonds will be issued as Current Interest Bonds, Capital Appreciation Bonds and/or Convertible Capital Appreciation Bonds as set forth on the inside front cover hereof.

Interest; Current Interest Bonds. The Current Interest Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on February 1 and August 1 of each year, commencing on August 1, 2013 (each, an "Interest Date"), computed on the basis of a 360-day year of twelve 30-day months. Each Current Interest Bond shall bear interest from the Interest Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Date (the "Record Date") and on or prior to the succeeding Interest Date, in which event it shall bear interest from such Interest Date, or unless it is authenticated on or before the Record Date preceding the first Interest Date, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Current Interest Bond, interest is in default on any outstanding Current Interest Bonds, such Current Interest Bond shall bear interest from the Interest Date to which interest has previously been paid or made available for payment on the outstanding Current Interest Bonds.

Interest; Capital Appreciation Bonds. The Series 2013 Bonds issued as Capital Appreciation Bonds will be dated as of their date of delivery. The Capital Appreciation Bonds will not bear interest on a current, periodic basis; instead, each Capital Appreciation Bond will accrete in value daily over the term to its maturity (on the basis of a 360-day year of twelve 30-day months), from its initial principal amount on the date of issuance thereof to its stated maturity value at maturity thereof ("Maturity Value"), as stated on the inside front cover page of this Official Statement, on the basis of a constant interest rate compounded semiannually on each Interest Date (with straight-line interpolations between Interest Dates), commencing August 1, 2013.

Interest; Convertible Capital Appreciation Bonds. The Series 2013 Bonds issued as Convertible Capital Appreciation Bonds will be dated as of their date of delivery. The Convertible Capital Appreciation Bonds will initially constitute capital appreciation bonds and will convert to current interest bonds on their respective conversion dates as set forth on the inside front cover hereof (each a "Conversion Date"). Prior to the Conversion Date thereof, the Convertible Capital Appreciation Bonds will not bear interest on a periodic basis; instead, each Convertible Capital Appreciation Bond will accrete in value daily from its initial principal amount on the date of issuance thereof (as stated on the inside front cover page of this Official Statement) to its stated accreted value at the Conversion Date thereof (on the basis of a 360-day year consisting of twelve 30-day months), as stated on the inside front cover page of this Official Statement, on the basis of a constant interest rate compounded semiannually on each Interest Date (with straight-line interpolations between Interest Dates), commencing on August 1, 2013.

From and after the Conversion Date of a Convertible Capital Appreciation Bond, such Convertible Capital Appreciation Bond will bear current interest on the accreted value thereof at the rate applicable thereto set forth on the inside front cover page of this Official Statement, payable on each Interest Date, commencing on the February 1 or August 1 immediately following such Conversion Date, computed using a year of 360 days, comprising twelve 30-day months. Following the Conversion Date thereof, each Convertible Capital Appreciation Bond will bear interest from the Interest Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on a Record Date and on or prior to the succeeding Interest Date, in which event it shall bear interest from such Interest Date, or unless it is authenticated on or before the Record Date preceding the first Interest Date following its Conversion Date, in which event it will bear interest from its Conversion Date; provided, however, that if, at the time of authentication of any Convertible Capital Appreciation Bond, interest is in default on any outstanding Convertible Capital Appreciation Bonds, such Convertible Capital Appreciation Bond shall bear interest from the Interest Date to which interest has previously been paid or made available for payment on the outstanding Convertible Capital Appreciation Bonds.

Accreted Values. The rate of interest at which a Capital Appreciation Bond's Maturity Value or Convertible Capital Appreciation Bond's stated accreted value at the Conversion Date thereof is discounted to its initial principal amount is known as the "Accretion Rate," and is stated on the inside front cover hereof. For any Capital Appreciation Bond, the value of principal plus accrued interest on any given Interest Date prior to maturity may be calculated by discounting the Maturity Value of the Capital Appreciation Bond from its maturity date to that Interest Date at a discount rate equal to the Accretion Rate, assuming a year of 360 days comprising twelve 30-day months. The imputed value on any other date may be calculated on the basis of a straight-line interpolation between the values calculated for the Interest Dates immediately preceding and following the date in question.

For any Convertible Capital Appreciation Bond, the value of principal plus accrued interest on any given Interest Date prior to the Conversion Date thereof may be calculated by discounting the stated accreted value at the Conversion Date of the Convertible Capital Appreciation Bond from its Conversion Date to that Interest Date at a discount rate equal to the Accretion Rate, assuming a year of 360 days comprising twelve 30-day months. The imputed value on any other date may be calculated on the basis of a straight-line interpolation between the values calculated for the Interest Dates immediately preceding and following the date in question.

The Underwriters have prepared the Tables of Accreted Values shown in Appendices H and I hereto, in order to provide the value per $5,000 of Maturity Value for each Capital Appreciation Bond on each Interest Date prior to maturity and the value per $5,000 of accreted value at the Conversion Date for each Convertible Capital Appreciation Bond on each Interest Date prior to the Conversion Date thereof, respectively.

Payment of Series 2013 Bonds. The principal, accreted value or maturity value of and interest on the Series 2013 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.

Interest on the Current Interest Bonds and the Convertible Capital Appreciation Bonds after the Conversion Date is payable in lawful money of the United States of America by check mailed on each Interest Date (if a business day, or on the next business day if the Interest Date does not fall on a business day) to the registered owner thereof (the "Owner") at such Owner's address as it appears on the bond registration books kept 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 Current Interest Bonds or Capital Appreciation Bonds after the Conversion Date who shall have requested in writing such method of payment of interest prior to the close of business on a Record Date. So long as the Series 2013 Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX G − "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption of Series 2013 Bonds.*[*] The Current Interest Bonds maturing on or before August 1, 20__, are not subject to optional redemption prior to their respective stated maturity dates. The Current Interest Bonds maturing on or after August 1, 20__, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 20__, at a redemption price equal to the principal amount of the Current Interest Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Capital Appreciation Bonds maturing on or before August 1, 20__, are not subject to optional redemption prior to their respective stated maturity dates. The Capital Appreciation Bonds maturing on and after August 1, 20__, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 20__, at a redemption price equal to the accreted value amount of the Capital Appreciation Bonds called for redemption to the date of redemption, without premium.

The Convertible Capital Appreciation Bonds maturing on or before August 1, 20__, are not subject to optional redemption prior to their respective stated maturity dates. The Convertible Capital Appreciation Bonds maturing on and after August 1, 20__, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 20__, at a redemption price equal to the stated accreted value of the Convertible Capital Appreciation Bonds at the Conversion Date thereof called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption of Series 2013 Bonds.[*] The term Current Interest Bonds maturing on August 1, 20__, are subject to mandatory sinking fund 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:

[*] *Preliminary; subject to change.*

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, by any portion of such term Current Interest Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

The term Convertible Capital Appreciation Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective stated accreted value amounts at the Conversion Date thereof as set forth in the following schedule, at a redemption price equal to 100% of the stated accreted value amount to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

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

† Maturity.

The stated accreted value amounts at the Conversion Date thereof 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, by any portion of such term Convertible Capital Appreciation Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

Selection of Series 2013 Bonds for Redemption. If less than all of the Series 2013 Bonds are called for redemption, the Series 2013 Bonds will be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Series 2013 Bonds of any one maturity are designated for redemption, the paying agent shall select the outstanding Series 2013 Bonds of such maturity to be redeemed by lot in any manner deemed fair by the paying agent. For purposes of such selection, each Series 2013 Bond will be deemed to consist of individual Series 2013 Bonds of denominations of $5,000 principal amount, Maturity Value or accreted value at the Conversion Date thereof, as applicable, each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Series 2013 Bond will 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 bond registration books, and (ii) as may be further required in accordance with the applicable Continuing

Disclosure Certificate. See APPENDIX D − "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Each notice of redemption will contain the following information: (i) the date of such notice; (ii) the name of the Series 2013 Bonds and the date of issue of the Series 2013 Bonds; (iii) the redemption date; (iv) the redemption price; (v) the Series 2013 Bonds and the dates of maturity or maturities of Series 2013 Bonds to be redeemed; (vi) if less than all of the Series 2013 Bonds of any maturity are to be redeemed, the distinctive numbers of the Series 2013 Bonds of each maturity to be redeemed; (vii) in the case of Series 2013 Bonds redeemed in part only, the respective portions of the principal amount of the Series 2013 Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series 2013 Bonds to be redeemed; (ix) a statement that such Series 2013 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; and (x) notice that further interest on such Series 2013 Bonds will not accrue after the designated redemption date. Neither the failure of the Owners of any Series 2013 Bond or by any securities depository or information service to receive notice of redemption, nor any defect in such notice will affect the sufficiency of the proceedings for the redemption of such Series 2013 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 2013 Bonds called for redemption is set aside, the Series 2013 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 2013 Bonds at the place specified in the notice of redemption, such Series 2013 Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2013 Bonds so called for redemption after such redemption date shall look for the payment of such Series 2013 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 2013 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 2013 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 2013 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 2013 Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Defeasance of Series 2013 Bonds

The District may pay and discharge any or all of any series of the Series 2013 Bonds by depositing in trust with the paying agent or an escrow agent at or before maturity, money 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

Series 2013 Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Moneys

Any money held in any fund or by the paying agent in trust for the payment of the principal of, redemption premium, if any, or interest on any series of the Series 2013 Bonds and remaining unclaimed for one year after the principal of all of such Series 2013 Bonds has become due and payable (whether by maturity or upon prior redemption) will 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.

Application and Investment of Series 2013 Bond Proceeds; Plan of Finance

Certain of the proceeds from the sale of the Series 2013 Bonds (including any and all premium received by the District) will be transferred to U.S. Bank National Association, as trustee of the Series A Notes (the "Series A Notes Trustee") pursuant to the Indenture, dated as of September 1, 2010, by and between the District and the Series A Notes Trustee, to be applied to the payment of the Series A Notes on their maturity date, March 29, 2013. The remaining proceeds from the sale of the Series 2013 Bonds will be deposited in the County treasury to the credit of the building fund of the District (the "Building Fund"). See "– Estimated Sources and Uses of Funds" below.

All funds held by the County Treasurer-Tax Collector (the "County Treasurer") in the Building Fund are expected to be invested on behalf of the District by the County Treasurer at the County Treasurer's discretion in such investments as are authorized by Section 53601 and following of the California Government Code, consistent with the investment policy of the County. See APPENDIX E − "ORANGE COUNTY EDUCATIONAL INVESTMENT POOL DISCLOSURE." The District may direct that certain investments in the Building Fund be deposited with a state or national bank or trust company located within the State or with the Federal Reserve Bank of San Francisco or any branch thereof within the State, or with any Federal Reserve bank or with any state or national bank located in any city designated as a reserve city by the Board of Governors of the Federal Reserve System in accordance with Sections 41015 and 41016 of the California Education Code.

Estimated Sources and Uses of Funds

The proceeds of the Series 2013 Bonds are expected to be applied as follows:

WESTMINSTER SCHOOL DISTRICT
General Obligation Bonds, Election of 2008, Series 2013A
Estimated Sources and Uses of Funds[1]

Sources of Funds:	
Initial Principal Amount of Series 2013 Bonds	
Plus Net Original Issue Premium[2]	
Total Sources of Funds	
Uses of Funds:	
Transfer to Series A Notes Trustee[3]	
Deposit to Building Fund	
Underwriters' Discount[4]	
Total Uses of Funds	

(1) Pursuant to the Purchase Agreement (as defined under "MISCELLANEOUS – Underwriting" herein), the Underwriters have agreed to pay the costs of issuance of the Series A Bonds, which includes bond counsel fees, disclosure counsel fees, rating agency fees, financial advisory fees, bond insurance premium, if any, printing fees and other miscellaneous expenses.

(2) The premium received by the District will be applied to the payment of the Series A Notes.

(3) Includes payment of principal and interest on the Series A Notes. See "– Application and Investment of Series 2013 Bond Proceeds; Plan of Finance" above.

(4) Exclusive of costs of issuance the Underwriters have contracted to pay.

Debt Service

Debt service on the Series 2013 Bonds, assuming no early redemptions, is as shown in the following table.

WESTMINSTER SCHOOL DISTRICT
General Obligation Bonds, Election of 2008, Series 2013A

Period Ending August 1,	Current Interest Bonds		Capital Appreciation Bonds		Convertible Capital Appreciation Bonds			
	Principal	Interest	Principal	Accreted Interest	Principal	Accreted Interest	Interest	Total Debt Service
2013	$	$	$	$	$	$	$	$
2014								
2015								
2016								
2017								
2018								
2019								
2020								
2021								
2022								
2023								
2024								
2025								
2026								
2027								
2028								
2029								
2030								
2031								
2032								
2033								
2034								
2035								
2036								
2037								
2038								
2039								
2040								
2041								
2042								
2043								
2044								
2045								
2046								
2047								
2048								
2049								
2050								
2051								
2052								
Total	$	$	$	$	$	$	$	$

Outstanding Bonds

In addition to the Series 2013 Bonds, the District has one additional outstanding series of bonds which are secured by *ad valorem* taxes levied upon all property subject to taxation by the District. The District received authorization at an election held on November 4, 2008, to issue bonds of the District in an aggregate principal amount not to exceed $130,000,000 under the 2008 Authorization. On October 8, 2009, the County, on behalf of the District, issued the Series 2009A-1 Bonds, in the aggregate initipal principal amount of $34,995,681.30, as its first series of authorized bonds to be issued under the Authorization. In anticipation of issuing additional authorized bonds, the District previously issued the Series A Notes, in the aggregate principal amount of $17,000,000, and the Series B Notes, in the aggregate principal amount of $18,000,000, the proceeds of which Notes were applied to authorized projects as described in the 2008 Authorization. Certain of the proceeds of the Series 2013 Bonds will be applied to the payment of the Series A Notes at their maturity. The District expects to issue additional general obligation bonds in 2013 and, if not in 2013, then in 2014, to pay the Series B Notes which mature on September 1, 2014.

Aggregate Debt Service

Debt service on all of the District's outstanding general obligation bonds, including the Series 2013 Bonds, assuming no early redemptions, is as shown in the following table. The following table does not include the Series A Notes and the Series B Notes.

WESTMINSTER SCHOOL DISTRICT
(Orange County, California)
General Obligation Bonds − Aggregate Debt Service

Period Ending August 1,	Series 2009A-1 Bonds	Series 2013 Bonds	Aggregate Total Debt Service
2013	$1,744,000.00		
2014	1,814,000.00		
2015	1,544,000.00		
2016	2,084,000.00		
2017	2,224,000.00		
2018	1,889,000.00		
2019	2,474,000.00		
2020	2,574,000.00		
2021	2,659,000.00		
2022	2,764,000.00		
2023	2,899,000.00		
2024	3,074,000.00		
2025	3,284,000.00		
2026	3,484,000.00		
2027	3,659,000.00		
2028	3,804,000.00		
2029	3,919,000.00		
2030	4,134,000.00		
2031	4,337,250.00		
2032	4,602,500.00		
2033	4,920,750.00		
2034	5,213,250.00		
2035	-		
2036	-		
2037	-		
2038	-		
2039	-		
2040	-		
2041	-		
2042	-		
2043	-		
2044	-		
2045	-		
2046	-		
2047	-		
2048	-		
2049	-		
2050	-		
2051	-		
2052	-		
Total	$69,100,750.00		

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2013 BONDS

General

In order to provide sufficient funds for repayment of principal, accreted value or maturity value of and interest on when due on the Series 2013 Bonds, the Board of Supervisors of the County is empowered and is 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). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues will be deposited by the County in the Interest and Sinking Fund of the District, which is required to be maintained by the County and to be used solely for the payment of bonds of the District. The Series 2013 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law, and are not a debt or obligation of the County. No fund of the County is pledged or obligated to repayment of the Series 2013 Bonds.

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-tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer-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 has a 2012-13 assessed value of $7,466,589,130. 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, as described under the heading, "*– State-Assessed Property*" below.

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.

State-Assessed Property. 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.

Classification of Locally Taxed Property. 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.

Under California law, a city or county could, and did, prior to recent California legislation dissolving redevelopment agencies, create a redevelopment agency in territory within one or more school districts. Upon formation of a "project area" of a redevelopment agency, most property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as "tax increment") belong to the redevelopment agency, causing a loss of general fund tax revenues (relating to the 1% countywide general fund levy) to other local taxing agencies, including school districts, from that time forward. However, special *ad valorem* property taxes (in excess of the 1% general fund levy) collected for payment of debt service on school bonds are based on assessed valuation before reduction for redevelopment increment and such special *ad valorem* property taxes are not affected or diverted by the operation of a redevelopment agency project area. The application of such revenues diverted by redevelopment agencies is now substantially limited to meeting existing debt service of the redevelopment agencies.

Shown in the following table is a recent history of the assessed valuation of the assessed valuation of property in the District in fiscal years 2008-09 through 2012-13.

WESTMINSTER SCHOOL DISTRICT
(Orange County, California)
Assessed Valuations
Fiscal Years 2008-09 through 2012-13

Fiscal Year	Local Secured	Utility	Unsecured	Total
2008-09	$6,713,593,343	$1,173,209	$499,959,267	$7,214,725,819
2009-10	6,616,780,084	1,173,209	555,131,602	7,173,084,895
2010-11	6,665,366,823	1,173,209	552,058,924	7,218,598,956
2011-12	6,800,168,727	1,173,209	549,452,858	7,350,794,794
2012-13	6,942,808,274	454,469	523,326,387	7,466,589,130

Source: California Municipal Statistics, Inc.

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 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 "Assessor"), the 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 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 an elementary 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 2012-13 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $93.3 million and its net bonding capacity is approximately $59.6 million (taking into account current outstanding debt before issuance of the Series 2013 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 Land Use. The following table gives a distribution of taxable property located in the District on the fiscal year 2012-13 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

WESTMINSTER SCHOOL DISTRICT
(Orange County, California)
2012-13 Assessed Valuation and Parcels by Land Use

	Assessed Valuation		Parcels	% of Total
Type of Property	2012-13 Assessed Valuation[(1)]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial	$1,059,319,695	15.26%	801	4.11%
Industrial	964,569,998	13.89	351	1.80
Rural	533,397	0.01	2	0.01
Miscellaneous	79,384	0.00	5	0.03
Subtotal Non-Residential	$2,024,502,474	29.16%	1,159	5.95%
Residential:				
Single Family Residence	$3,992,866,631	57.51%	15,180	77.92%
Condominium/Townhouse	234,535,952	3.38	1,035	5.31
Mobile Home	31,546,338	0.45	1,217	6.25
2+ Residential Units/Apartments	659,356,879	9.50	890	4.57
Subtotal Residential	$4,918,305,800	70.84%	18,322	94.05%
TOTAL	$6,942,808,274	100.00%	19,481	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 2012–13.

WESTMINSTER SCHOOL DISTRICT
(Orange County, California)
2012-13 Per Parcel Assessed Valuation of Single Family Homes

	Number of Parcels	Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	15,180	$3,992,866,631	$263,035	$268,378

2012-13 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	603	3.972%	3.972%	$ 23,481,123	0.588%	0.588%
$50,000 - $99,999	2,595	17.095	21.067	159,210,574	3.987	4.575
$100,000 - $149,999	905	5.962	27.029	112,285,849	2.812	7.388
$150,000 - $199,999	1,222	8.050	35.079	216,734,334	5.428	12.816
$200,000 - $249,999	1,769	11.653	46.733	398,805,908	9.988	22.804
$250,000 - $299,999	1,813	11.943	58.676	497,991,182	12.472	35.276
$300,000 - $349,999	1,643	10.823	69.499	535,098,335	13.401	48.677
$350,000 - $399,999	1,656	10.909	80.408	618,774,111	15.497	64.174
$400,000 - $449,999	1,157	7.622	88.030	489,218,796	12.252	76.426
$450,000 - $499,999	929	6.120	94.150	438,453,695	10.981	87.407
$500,000 - $549,999	444	2.925	97.075	232,147,827	5.814	93.221
$550,000 - $599,999	259	1.706	98.781	147,478,805	3.694	96.915
$600,000 - $649,999	110	0.725	99.506	68,052,358	1.704	98.619
$650,000 - $699,999	39	0.257	99.763	26,164,787	0.655	99.274
$700,000 - $749,999	16	0.105	99.868	11,473,758	0.287	99.562
$750,000 - $799,999	9	0.059	99.928	6,955,076	0.174	99.736
$800,000 - $849,999	2	0.013	99.941	1,660,353	0.042	99.778
$850,000 - $899,999	3	0.020	99.960	2,684,540	0.067	99.845
$900,000 - $949,999	1	0.007	99.967	902,450	0.023	99.867
$950,000 - $999,999	1	0.007	99.974	979,124	0.025	99.892
$1,000,000 and greater	4	0.026	100.000	4,313,646	0.108	100.000
Total	15,180	100.000%		$3,992,866,631	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 2012-13 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

WESTMINSTER SCHOOL DISTRICT
(ORANGE COUNTY, CALIFORNIA)
Largest 2012-13 Local Secured Taxpayers

	Property Owner	Primary Land Use	2012-13 Assessed Valuation	Percent of Total[1]
1.	McDonnell Douglas Corp.	Industrial	$173,356,682	2.50%
2.	Retail Property Trust	Commercial	123,636,889	1.78
3.	WRI West Gate South LP	Commercial	67,652,450	0.97
4.	Land Partners Co.	Commercial	61,671,112	0.89
5.	West County Commerce Realty Holding Co.	Industrial	41,875,477	0.60
6.	LBA Riv Company XV LLC	Industrial	38,500,000	0.55
7.	CP II Park Lane LLC	Apartments	28,060,512	0.40
8.	Douglas Realty Co. Inc.	Industrial	22,464,732	0.32
9.	Delma Corporation	Apartments	21,329,287	0.31
10.	IPERS 7400 Hazard Avenue – CA	Industrial	20,853,294	0.30
11.	Avalon Center at Garden Grove Inc.	Commercial	20,063,400	0.29
12.	Konica Minolta Business Solutions USA Inc.	Industrial	19,611,104	0.28
13.	WCC Phase II Realty Holding Co. LLC	Industrial	19,421,936	0.28
14.	Macy's California Realty LLC	Commercial	19,199,965	0.28
15.	Shamrock Bolsa Properties I LLC	Industrial	18,908,919	0.27
16.	Springdale Villa LP	Apartments	18,670,707	0.27
17.	M Westland LLC	Commercial	18,060,219	0.26
18.	CT Huntington LLC	Industrial	17,554,960	0.25
19.	Sears Roebuck & Co.	Commercial	17,467,590	0.25
20.	California Drive-In Theatres / Wal-Mart Stores	Commercial	16,947,535	0.24
			$785,306,770	11.31%

[1] 2012-13 local secured assessed valuation: $6,942,808,274.
Source: California Municipal Statistics, Inc.

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 Series 2013 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 Series 2013 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 Series 2013 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 in typical Tax Rate Areas of the District (TRA 4-019) over the five year period from 2008-09 through 2012-13. This Tax Rate Area comprises approximately 24.69% of the total assessed value of the District.

WESTMINSTER SCHOOL DISTRICT
(Orange County, California)
Typical Total Tax Rates per $100 of Assessed Valuation
(TRA 4-019)
Fiscal Years 2008-09 Through 2012-13

	2008-09	2009-10	2010-11	2011-12	2012-13
General Tax Rate	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
City of Huntington Beach Employee Retirement	.00900	.01500	.01500	.01500	.01500
Huntington Beach Union High School District	.02622	.02941	.03014	.03026	.03143
Coast Community College District	.01472	.01673	.01750	.01754	.01881
Westminster School District	-	.02370	.02073	.01149	.02950
Metropolitan Water District	.00430	.00430	.00370	.00370	.00350
Total All Property Tax Rate	1.05424%	1.08914%	1.08707%	1.07799%	1.09824%

Source: California Municipal Statistics, Inc.

In accordance with the law which permitted the Series 2013 Bonds to be approved by at least 55% popular vote, bonds approved by the District's voters at the November 4, 2008 election may not be issued unless the District projects that repayment of all outstanding bonds approved at such election will require a tax rate no greater than $30.00 per $100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series 2013 Bonds, the District projects that the maximum tax rate required to repay the Series 2013 Bonds and all other outstanding bonds approved at the November 4, 2008 election will be within that legal limit. The tax rate test applies only when new bonds are issued, and is not a legal limitation upon the authority of the County Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series 2013 Bonds in each year.

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 Series 2013 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 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 $23 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 an 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.

The following table shows real property tax charges and corresponding delinquencies with respect to property located in the District for fiscal years 2007-08 through 2011-12.

WESTMINSTER SCHOOL DISTRICT
(Orange County, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2007-2008 Through 2011-12

	Secured Tax Charge[(1)]	Amount Delinquent June 30	% Delinquent June 30
2007-08	$12,431,710.33	$583,645.29	4.69%
2008-09	11,818,652.09	487,409.35	4.12
2009-10	11,578,894.53	309,239.22	2.67
2010-11	11,631,392.01	226,293.07	1.95
2011-12	11,493,323.89	193,150.78	1.68

(1) 1% General Fund apportionment.
Source: California Municipal Statistics, Inc.

Teeter Plan

The County has implemented an alternative method for the distribution of secured property taxes to local agencies, known as the "Teeter Plan." The Teeter Plan provisions are now set forth in Sections 4701 to 4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county acts as "bank" and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. While a county benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. As a separate election, a county may elect to have the Teeter Plan procedures also apply to assessments on the secured roll. The County Board of Supervisors adopted the Teeter Plan on June 29, 1993. The County's Teeter Plan applies to the District and to its outstanding general obligation bonds.

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then-accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of assessments (if a county has elected to include assessments), 100% of the assessment delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the assessment. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. The County has never discontinued the Teeter Plan with respect to any levying agency.

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. and effective November 1, 2012 for debt issued as of October 29, 2012. 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.

WESTMINSTER SCHOOL DISTRICT
(Orange County, California)
Statement Of Direct And Overlapping Bonded Debt

2012-13 Assessed Valuation: $7,466,589,130

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 11/1/12
Metropolitan Water District	0.355%	$697,735
Coast Community College District	7.312	22,500,404
Huntington Beach Union High School District	18.193	40,724,120
Westminster School District	**100.000**	**68,735,681**[1][2]
City of Huntington Beach Community Facilities District No. 2002-1	100.000	4,670,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$137,327,940
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Orange County General Fund Obligations	1.748%	$3,753,410
Orange County Pension Obligations	1.748	2,513,751
Orange County Board of Education Certificates of Participation	1.748	279,680
Municipal Water District of Orange County Water Facilities Corporation	2.094	210,133
Coast Community College District General Fund Obligations	7.312	1,479,949
Huntington Beach Union High School District Certificates of Participation	18.193	10,934,191
Westminster School District Certificates of Participation	**100.000**	**23,740,000**
City of Garden Grove General Fund Obligations	4.333	822,729
City of Huntington Beach General Fund and Judgment Obligations	6.498	3,317,814
City of Westminster Certificates of Participation	65.382	3,171,027
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$50,222,684
Less: MWDOC Water Facilities Corporation (100% self-supporting)		210,133
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$50,012,551
OVERLAPPING TAX INCREMENT DEBT:		
Garden Grove Agency for Community Development	2.344%	$1,041,908
Huntington Beach Redevelopment Agency	0.456	83,266
Orange County Redevelopment Agency	12.353	2,053,686
Westminster Community Redevelopment Agency	77.207	102,959,395
TOTAL OVERLAPPING TAX INCREMENT DEBT		$106,138,255
GROSS COMBINED TOTAL DEBT		$293,688,897[3]
NET COMBINED TOTAL DEBT		$293,478,746

(1) Excludes Series 2013 Bonds.
(2) Includes Series A Notes and Series B Notes.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2012-13 Assessed Valuation:

Direct Debt ($68,735,681)..0.92%
Total Overlapping Tax and Assessment Debt............................1.84%
Combined Direct Debt ($92,475,681)...1.24%
Gross Combined Total Debt 3.93%
Net Combined Total Debt...3.93%

Ratios to Redevelopment Incremental Valuation ($2,875,466,068)
Overlapping Tax Increment Debt 3.69%

Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2013 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2013 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Series 2013 Bonds is less than the amount to be paid at maturity of such Series 2013 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2013 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2013 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2013 Bonds is the first price at which a substantial amount of such maturity of the Series 2013 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2013 Bonds accrues daily over the term to maturity of such Series 2013 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2013 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2013 Bonds. Beneficial Owners of the Series 2013 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2013 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2013 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2013 Bonds is sold to the public.

Series 2013 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2013 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2013 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2013 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2013 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2013 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2013 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2013 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2013 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2013 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2013 Bonds. Prospective purchasers of the Series 2013 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2013 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2013 Bonds ends with the issuance of the Series 2013 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2013 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2013 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2013 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series 2013 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Series 2013 Bonds at the time of issuance substantially in the form 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 District by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Cerritos, California, and by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District.

Legality for Investment in California

Under the provisions of the California Financial Code, the Series 2013 Bonds are legal investments for commercial banks in California to the extent that the Series 2013 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 Series 2013 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 Series 2013 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 the April 1 following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2012-13 fiscal year (which is due no later than April 1, 2014) 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"). In the preceding five years, the District has failed to file in a timely manner certain annual reports, or portions thereof, and certain notices of Notice Events required under prior continuing disclosure obligations. However, the District has since filed all required reports and is now current with respect to all filings required under its continuing disclosure obligations.

No Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series 2013 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 Series 2013 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 County officers who will execute the Series 2013 Bonds or District or County officials who will sign certifications relating to the Series 2013 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 Series 2013 Bonds.

The District is occasionally 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.

MISCELLANEOUS

Rating

Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "Aa3" to the Series 2013 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 such rating agency. Such rating is not a recommendation to buy, sell or hold the Series 2013 Bonds. There is no assurance that any rating will continue for any given period of time or that it 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 Series 2013 Bonds. Neither the Underwriters nor the District have undertaken any responsibility after the offering of the Series 2013 Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Series 2013 Bonds, and will receive compensation contingent upon the sale and delivery of the Series 2013 Bonds. California Financial Services is acting as the District's Program Manager, Advisor & Administrator and Dolinka Group LLC is acting as the Financial and Tax Base Consultant, with respect to the Series 2013 Bonds. Payment of the fees and expenses of the Program Manager, Advisor & Administrator and the Financial and Tax Base Consultant are also contingent upon the sale and delivery of the Series 2013 Bonds. From time to time, Bond Counsel represents the Underwriters on matters unrelated to the Series 2013 Bonds.

Underwriting

The Series 2013 Bonds are being purchased for reoffering to the public by Piper Jaffray & Co. ("Piper Jaffray"), on its own behalf and as representative of U.S. Bancorp Investments Inc. (collectively, the "Underwriters"), pursuant to the terms of a bond purchase agreement executed on _________, 2013, by and among the Underwriters, the County and the District (the "Purchase Agreement"). The Underwriters have agreed to purchase the Series 2013 Bonds at a price of $__________. The Purchase Agreement provides that the Underwriters will purchase all of the Series 2013 Bonds, subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel. The Purchase Agreement also provides that the Underwriters will pay costs of issuance of the Series 2013 Bonds. The Underwriters may offer and sell the Series 2013 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 Underwriter.

Piper Jaffray and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray, including the Series 2013 Bonds. Under the Agreement, Piper Jaffray will share with Pershing LLC a portion of the fee or commission paid to Piper Jaffray.

Piper Jaffray has entered into a distribution agreement (the "Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings, including the Series 2013 Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co will purchase securities from Piper Jaffray at the original issue price less a negotiated portion of the selling concession applicable to any securities that CS&Co sells.

US Bancorp is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc., which is serving as one of the Underwriters of the Series 2013 Bonds.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series 2013 Bonds. Quotations from and summaries and explanations of the Series 2013 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 Series 2013 Bonds.

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

WESTMINSTER SCHOOL DISTRICT

By: ___________________________________
Superintendent

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this appendix concerning the operations of the Westminster 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 Series 2013 Bonds is payable from the general fund of the District or from State revenues. The Series 2013 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 the County of Orange on property within the District in an amount sufficient for the timely payment of principal of and interest on the Series 2013 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2013 BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District was established in 1872 and serves various communities in Orange County (the "County"), including the cities of Garden Grove, Huntington Beach, Midway City and Westminster. The District currently operates 13 elementary schools, three middle schools, one child development school and a special programs center. Student enrollment at the District is currently estimated to be approximately 9,640 students.

Board of Trustees

The District is governed by a five-member Board of Trustees (the "District Board") elected by voters within the District to serve alternating four-year terms. The District Board consists of five voting members. The voting members are elected to four-year terms in alternate slates of two and three and elections are held every two years. Each December the District elects a President, Vice President and Clerk to serve one year terms. Current voting members of the District Board, together with their office and the date their term expires, are listed below:

WESTMINSTER SCHOOL DISTRICT
(Orange County, California)

Board of Trustees

Name	Office	Term Expires
Mary Mangold	President	November 2014
Andrew Nguyen	Vice President	November 2014
Amy Walsh	Clerk	November 2016
Dave Bridgewaters	Member	November 2014
Jamison Power	Member	November 2016

Superintendent and Financial and Fiscal Administrative Personnel

The day-to-day operations of the District are managed by a board-appointed Superintendent of Schools. Information concerning the Superintendent and certain other key administrative personnel is set forth below.

Richard Tauer, Superintendent. Mr. Tauer joined the District in 2008 as the Assistant Superintendent of Human Resources and was appointed to Superintendent in 2010. Mr. Tauer has 40 years of experience in education, has also served as director of personnel, and as a principal and a teacher at various campuses in Whittier City, South Pasadena, Temple City Unified and Rosemead school districts. He has also taught education courses at the University of La Verne. Mr. Tauer earned a masters degree from California State University, Los Angeles in 1991 and has completed graduate work at the University of Southern California.

Christine Fullerton, Assistant Superintendent, Business Services. Mrs. Fullerton is the Assistant Superintendent of the District's Business Services Division. Prior to her current position, Mrs. Fullerton was a teacher, Assistant Principal, Principal, Administrator of Pupil Personnel and Special Projects and the Assistant Superintendent, Human Resources for the District since 1994. Mrs. Fullerton earned her Bachelor of Arts degree in Business Administration and Masters of Science in Educational Administration from California State University, Fullerton and a School Business Management Certificate from the University of Southern California. Mrs. Fullerton attended ACSA's Personnel Academy and the Personnel Institute for merit system school districts.

Sandy Poteet, Director, Purchasing & Financial Services. Mrs. Poteet is the Director of the District's Purchasing & Financial Services Office and has served the District in this role for nine years. Prior to her current position she was the District's Accounting Supervisor for three years. Before coming to the District, Mrs. Poteet was employed by the Orange County Department of Education as a Business Services Specialist and Senior Accounting Technician. Mrs. Poteet earned her Bachelor of Arts in Business Administration from California State University, Fullerton, a School Business Management Certificate from CASBO, and has completed ACSA's School Business Managers Academy.

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 receives approximately 58.9% of its general fund revenues from State funds, projected at approximately $43.5 million in fiscal year 2012-13. 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 2012-13 State budget on June 27, 2012.

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 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13 (see *"−2012-13 State Budget"* and *"−State Cash Management Legislation"* below); 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 Series 2013 Bonds, and the District takes no responsibility for informing owners of the Series 2013 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.

2012-13 State Budget. The Governor signed the fiscal year 2012-13 State budget (the "2012-13 State Budget") on June 27, 2012. The 2012-13 State Budget closes a $15.7 billion budget gap and builds a reserve of nearly $1 billion with (i) $8.1 billion in expenditure reductions, (ii) $6 billion in increased revenues (which assumes the approval by the voters of temporary taxes at the November 2012 election, as further described below) and (iii) $2.5 billion from certain loan and transfer measures. This $15.7 billion budget gap is less than the $26.6 billion budget gap encountered for fiscal year 2011-12. The 2012-13 State Budget purports to position the State to have a balanced budget in an ongoing manner for the first time in over a decade, with future spending expected to stay within available revenues.

The 2012-13 State Budget assumes the passage of the "Temporary Tax Measure" at the November 6, 2012 election. Such Temporary Tax Measure, which increases the personal income tax on the State's highest income taxpayers by up to three percent for a period of seven years starting with the 2012 tax year, and increases the sales tax by one-quarter percent for a period of four years beginning on January 1, 2013, was approved by the voters at the November 6, 2012 election. The 2012-13 State Budget projects that the Temporary Tax Measure will generate an estimated $8.5 billion in revenues in fiscal year

2012-13. Such additional revenues would increase the State's Proposition 98 obligation by $2.9 billion and provide a net benefit of $5.6 billion to the State's general fund.

With the voter approval of the Temporary Tax Measure, the 2012-13 State Budget provides $53.6 billion in Proposition 98 funding for K-12 schools and community colleges, a $6.7 billion (or 14%) increase from fiscal year 2011-12. Of such increased amount, $6.1 billion is designated for K-12 schools. The 2012-13 State Budget maintains level Proposition 98 programmatic funding for all K-12 schools, pays off $2.2 billion in the amount of payments to K-12 schools and community colleges that are deferred each year, and funds the Quality Education Investment Act program (as described below) within the Proposition 98 guarantee. According to the 2012-13 State Budget, the Temporary Tax Measure is expected to increase Proposition 98 funding for K-12 schools and community colleges by an aggregate amount of $17.2 billion (or 37%) over the next four fiscal years when compared to fiscal year 2011-12. This projected increase reverses years of cuts in funding for K-12 schools and community colleges.

K-12 adjustments provided in the 2012-13 State Budget include:

- <u>Proposition 98 Adjustments</u>. A decrease of approximately $630 million due to (i) eliminating the hold-harmless adjustment provided to K-12 schools from the elimination of the sales tax on gasoline in fiscal year 2010-11, and (ii) using a consistent current value methodology to rebench the Proposition 98 minimum guarantee for the exclusion of child care programs, the inclusion of special education mental health services, and new property tax shifts.

- <u>Redevelopment Agency Asset Liquidation</u>. An increase of $1.3 billion in local property taxes for fiscal year 2012-13 to reflect the distribution of cash assets previously held by redevelopment agencies, which increase in local revenues also reduces Proposition 98 general fund by an identical amount.

- <u>Quality Education Investment Act</u>. A decrease of $450 million in funding for fiscal year 2012-13 with respect to the Quality Education Investment Act. The overappropriation in fiscal year 2011-12 will be used to prepay the $450 million required to be provided on top of the Proposition 98 minimum guarantee in fiscal year 2012-13. The program will be funded within the Proposition 98 minimum guarantee to achieve one-time savings of $450 million for fiscal year 2012-13.

- <u>K-12 Deferrals</u>. An increase of $2.1 billion in Proposition 98 funding to reduce K-12 inter-year budgetary deferrals from $9.5 billion to $7.4 billion.

- <u>Mandates Block Grant</u>. An increase of $86.2 million from fiscal year 2011-12 to provide a total of $166.6 million for K-12 mandates through a new voluntary block grant, in which participating school districts and county offices of education would receive $28 per student and participating charter schools would receive $14 per student. School districts and county offices of education that choose not to participate in the block grant program would retain their right to submit claims for reimbursement, subject to audit by the State Controller.

- <u>Charter Schools</u>. An increase of $53.7 million in Proposition 98 funding for charter school categorical programs to fund growth in charter school enrollment. Additionally, the 2012-13 State Budget provides for (i) the expansion of the ability of school districts to convey surplus property to charter schools, (ii) the authorization of county treasurers to provide charter schools with short-term cash loans, and (iii) the authorization of charter schools to participate in the temporary revenue anticipation note financing mechanisms that are currently available to school districts and county offices of education.

- Child Care. Total savings of $294.3 million from (i) the inclusion of part-day center-based services for 3- and 4- year-olds within the State Preschool Program funded through Proposition 98, (ii) the reduction of child care provider contracts, and (iii) not providing the statutory cost-of-living-adjustment for non-CalWORKs programs.

If the Temporary Tax Measure was not approved by the voters at the November 2012 election, the 2012-13 State Budget included a backup plan of $6 billion in trigger cuts which would have gone into effect on January 1, 2013. With respect to K-12 schools, such cuts would have (i) reduced funding for K-12 schools and community colleges by $5.4 billion – a funding decrease equivalent to three weeks of instruction, and (ii) eliminated the ability of the State to begin repaying funding deferrals.

The complete 2012-13 State Budget is available from the California Department of Finance website at **www.dof.ca.gov.** The District can take no responsibility for the continued accuracy of this interest address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

Legal Challenge to State Funding Education. On May 20, 2010, a plaintiff class of numerous current California public school students and the Alameda Unified School District, the Alpine Union School District, the Del Norte County Unified School District, the Folsom Cordova Unified School District, the Hemet Unified School District, the Porterville Unified School District, the Riverside Unified School District, the San Francisco Unified School District and the Santa Ana Unified School District, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In *Robles-Wong, et al. v. State of California* ("*Robles-Wong*"), the plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school funding and replace it with a system that is based on what is needed to meet the State's program requirements and the needs of individual students. After a demurrer was sustained with leave to amend on January 14, 2011, a first amended complaint was filed by the plaintiff class on March 16, 2011. A demurrer with leave to amend on the first amended complaint was sustained on July 26, 2011, however, the plaintiffs elected not to amend their complaint within the time provided by the court. Accordingly, the court dismissed all of the plaintiff's claims and entered a judgment on November 3, 2011. The plaintiffs, on January 24, 2012, filed a notice of appeal to the Court of Appeal of the State of California, First Appellate District, from the judgment entered on November 3, 2011 dismissing the case in its entirety and all orders incorporated therein, including the order entered on July 26, 2011 sustaining the demurrer. The District cannot predict the likelihood of success of such appeal or how such appeal, if successful, could result in a change in how school funding of education is implemented in the State.

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 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 "−State Funding of Education; State Budget Process – *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.

State Cash Management Legislation. On March 1, 2010, the Governor signed a bill (and on March 4, 2010, subsequently signed a clean-up bill to clarify certain provisions of such bill) to provide additional cash management flexibility to State fiscal officials (the "Cash Management Bill"). The Cash Management Bill authorized deferral of certain payments during the 2010-11 fiscal year for school districts (not to exceed $2.5 billion in the aggregate at any one time, and a maximum of three deferrals during the fiscal year). The Cash Management Bill permitted deferrals of payments to K-12 schools in July 2010, October 2010 and March 2011, for not to exceed 60, 90 and 30 days, respectively, but depending on actual cash flow conditions at the time, allowed the State Controller, Treasurer and Director of Finance to either accelerate or delay the deferrals up to 30 days or reduce the amounts deferred. The Cash Management Bill also permitted the State to move a deferral to the prior month or to a subsequent month upon 30 days written notice by the State Department of Finance to the Legislative Budget Committee, except that the Cash Management Bill provided that the deferral for March 2011 was required to be paid prior to April 30. The Cash Management Bill provided for exceptions to the deferrals for school districts that could demonstrate hardship. The Cash Management Bill made it necessary for many school districts (and other affected local agencies) to increase the size and/or frequency of their cash flow borrowings during fiscal year 2010-11. Similar legislation was enacted for fiscal year 2011-12. The fiscal year 2011-12 legislation, however, set forth a specific deferral plan for K-12 education payments.

The State Legislature enacted similar legislation for fiscal year 2012-13 that provides for $1.2 billion of K-12 payments to be deferred in July 2012, $600 million to be deferred in August 2012, $800 million to be deferred in October 2012 and $900 million to be deferred in March 2013. Of such deferred amounts, $700 million of the deferral made in July 2012 is to be paid in September 2012, the remaining $1.9 billion deferred in July, August and October of 2012 is to be paid in January 2013, and the $900 million deferred in March 2013 is to be repaid in April 2013. The District is authorized to borrow temporary funds to cover its annual cash flow deficits and, as a result of this or similar future legislation, the District might find it necessary to utilize cash flow borrowings or increase the size or frequency of its cash flow borrowings in fiscal year 2012-13 and in future years. The District cannot predict if additional deferrals will be made in fiscal year 2012-13 and in future years.

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 dissolves all redevelopment agencies in existence and designates "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. As signed by the Governor, AB1X 27 would have allowed a redevelopment agency to continue to exist, notwithstanding AB1X 26, upon the enactment by the city or county that created the redevelopment agency of an ordinance to comply with AB1X 27's provisions and the satisfaction of certain other conditions.

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 AB1X26. 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.

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

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

Absent any changes, the 2013-14 Proposed State Budget projects that the fiscal year 2013-14 budget would be balanced but would lack an adequate reserve. To create a $1 billion reserve, the 2013-14 Proposed State Budget proposes several measures, such as the suspension of certain newly identified mandates, the use of fiscal year 2012-13 funds appropriated above the Proposition 98 minimum guarantee to prepay certain obligations to schools under the Quality Education Investment Act, as described below, and the extension of the hospital quality assurance fee and the gross premiums tax on Medi-Cal managed care plans. The 2013-14 Proposed State Budget dedicates $4.2 billion in fiscal year 2013-14 to pay down the State's budgetary debt (which budgetary debt amounted to $34.7 billion at the end of fiscal year 2010-11 and is currently estimated to be $27.8 billion at the end of fiscal year 2012-13) and estimates that such budgetary debt will be reduced to less than $5 billion by the end of fiscal year 2016-17.

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

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

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

Certain workload adjustments for K-12 programs included in the 2013-14 Proposed State Budget include the following:

- K-12 Deferrals. An increase of approximately \$1.8 billion Proposition 98 general fund to reduce inter-year budgetary deferrals. Combined with the \$2.2 billion provided in fiscal year 2012-13 to retire inter-year deferrals, the total outstanding deferral debt for K-12 is projected to be reduced to \$5.6 billion at the end of fiscal year 2013-14, and all remaining K-12 deferrals are projected to be paid off by the end of fiscal year 2016-17.

- New School District Funding Formula. An increase of approximately \$1.6 billion in Proposition 98 general fund for school districts and charter schools in fiscal year 2013-14.

- New County Office of Education Funding Formula. An increase of approximately \$28.2 million Proposition 98 general fund to support first year implementation of a new funding formula for county offices of education in fiscal year 2013-14.

- Energy Efficiency Investments. An increase of \$400.5 million Proposition 98 general fund to support energy efficiency projects in schools consistent with The California Clean Energy Jobs Act.

- Cost-of-Living Adjustment Increases. A 1.65% cost-of-living adjustment ("COLA") for a select group of categorical programs that will remain outside of the new student funding formula, including special education and child nutrition. COLA for school district and county offices of education revenue limits will be provided in the form of new funding allocated for the implementation of the new funding formulas.

- Charter Schools. An increase of \$48.5 million Proposition 98 general fund to support projected charter school A.D.A. growth.

- K-12 Mandates Funding. An increase of \$100 million to the K-12 portion of the mandates block grant to support costs associated with mandates relating to graduation requirements and behavioral intervention plans.

- Local Property Tax Adjustments. An increase of \$526.6 million and \$608.6 million Proposition 98 general fund for school district and county office of education revenue limits in fiscal years 2012-13 and 2013-14, respectively, as a result of lower or reduced offsetting property tax revenues.

- A.D.A. An increase of \$304.4 million in fiscal year 2012-13 for school district and county office of education revenue limits as a result of an increase in projected A.D.A. from the 2012-13 State Budget. An increase of \$2.8 million in fiscal year 2013-14 for school districts and county offices of education as a result of projected growth in A.D.A. in fiscal year 2013-14.

- The revised Proposition 98 guarantee for fiscal year 2012-13 will be \$162.8 million below the level of Proposition 98 General Fund appropriated in fiscal year 2012-13, which excess appropriated amount will be used to retire future funding obligations under the terms of the Quality Education Investment Act (see "*–2012-13 State Budget*" above).

The complete 2013-14 Proposed State Budget is available from the California Department of Finance website at **www.dof.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

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

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

The 2013-14 Budget Overview is available on the LAO website at **www.lao.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

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

14 State budget will be affected by national and State economic conditions and other factors which the District cannot predict.

Future Budgets and Budgetary Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District 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 during fiscal year 2012-13 and in future fiscal years. State budget shortfalls in fiscal year 2012-13 and future fiscal years could have a material adverse financial impact on the District.

Allocation of State Funding to School Districts. Under California Education Code Section 42238 and following, each school district is 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 ("A.D.A."). The base revenue limit is 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 is 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 increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State equalization aid, and receives 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 are known as "basic aid districts." Districts that receive some equalization aid are commonly referred to as "revenue limit districts." The District is a revenue limit district.

Changes in local property tax income and student enrollment (A.D.A.) affect revenue limit districts and basic aid districts differently. In a revenue limit district, increasing enrollment increases the total revenue limit and thus generally increases a district's entitlement to State equalization aid, assuming property tax revenues are unchanged. Operating costs increase disproportionately slowly—and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on revenue limit districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools. In basic aid districts, the opposite is generally true: increasing enrollment does increase the revenue limit, but since all revenue limit income (and more) is already generated by local property taxes, there is no increase in State income. Meanwhile, as new students impose increased operating costs, the fixed property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus is financially beneficial to a basic aid district. Enrollment can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes.

The following table sets forth (i) the District's actual A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal years 2008-09 through 2010-11, (ii) the District's unaudited A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal year 2011-12, and (iii) the District's budgeted A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal year 2012-13, for grades Kindergarten through 8, including special education.

WESTMINSTER SCHOOL DISTRICT
(Orange County, California)
Average Daily Attendance, Enrollment and Base Revenue Limit
Fiscal Years 2008-09 through 2012-13

Fiscal Year	Average Daily Attendance(1)	Enrollment	Base Revenue Limit Per Unit of Average Daily Attendance
2008-09(2)	9,605	9,880	$5,837.22
2009-10(3)	9,455	9,772	6,087.22
2010-11(4)	9,472	9,725	6,063.22
2011-12(5)	9,431	9,637	6,200.22
2012-13(6)	9,297	9,608	6,403.22

(1) A.D.A. for the second period of attendance, typically in mid-April of each school year.
(2) The District had a 7.844% base revenue limit deficit factor in fiscal year 2008-09, resulting in a funded base revenue limit of $5,379.35. A deficit factor is applied to the base revenue limit if provided in the State Budget for a given fiscal year when appropriation of funds in the State Budget for such is not sufficient to pay all claims for State aid. The deficit factor is applied to reduce the allocation of State aid to the amount appropriated.
(3) The District had a 18.355% base revenue limit deficit factor and a 4.25% cost of living adjustment in fiscal year 2009-10, which resulted in net funding of a negative 7.75% and a funded base revenue limit of $4,717.08, which includes a one time base revenue limit reduction of $252.83.
(4) 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 $4,974.08.
(5) The District had a 20.602% base revenue limit deficit factor and a negative 2.24% cost of living adjustment in fiscal year 2011-12, which resulted in a funded base revenue limit of $4,922.85.
(6) Figures are projections. The District also expects a 22.272 revenue limit deficit factor and a 3.24% cost of living adjustment in fiscal year 2012-13, which results in a funded base revenue limit of $4,977.09.
Source: Westminster School District.

In its 2012-13 first interim report, the District projects that it will receive approximately $48.6 million in aggregate revenue limit income in fiscal year 2012-13, or approximately 65.7% of its general fund revenues. This amount represents a slight increase of approximately 0.15% from the $48.5 million the District received in fiscal year 2011-12. The District also expects to receive a small portion of its budget from State lottery funds, 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 currently projected at $1.6 million for fiscal year 2012-13.

The District's first interim report for fiscal year 2012-13 received a qualified certification from the County Office of Education. See "– District Budget Process and County Review" below for more information.

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 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; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State aid, and receives 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 are known as "basic aid districts." Districts that receive some State aid are commonly referred to as "revenue limit districts."

The District is not a basic aid district. Local property tax revenues account for approximately 37.5% of the District's aggregate revenue limit income, and are budgeted to be $18.2 million, or 24.7% of total general fund revenues in fiscal year 2012-13.

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.

Developer Fees

The District collects developer fees to finance essential school facilities within the District. The following table of developer fee revenues reflects the collection of fees from fiscal years 2008-09 through fiscal year 2012-13.

WESTMINSTER SCHOOL DISTRICT
(Orange County, California)
Developer Fees
Fiscal Years 2008-09 through 2012-13

Year	Total Revenues
2008-09	$110,527.35
2009-10	126,704.84
2010-11	70,424.90
2011-12	96,076.31
2012-13[1]	70,000.00

[1] Projected.
Source: Westminster School District.

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 California 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, 2012, 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 Vavrinek, Trine, Day & Co., LLP, Rancho Cucamonga, California, for fiscal years 2007-08 through 2011-12.

The District's auditor has not been requested to consent to the use or to the inclusion of its report in this Official Statement, and it has 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 table shows the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2007-08 through 2011-12.

WESTMINSTER SCHOOL DISTRICT
(Orange County, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2007-08 through 2011-12

	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12
REVENUES					
Revenue limit sources	$ 54,329,863	$ 52,887,804	$ 46,405,301	$ 48,405,782	$ 48,506,493
Federal sources	7,807,662	10,897,366	7,961,201	9,098,722	7,605,606
Other State sources	17,046,152	13,098,791	16,423,840	14,331,582	15,226,229
Other local sources	7,024,891	6,660,423	6,269,222	6,079,253	6,047,969
Total Revenues	86,208,568	83,544,384	77,059,564	77,915,339	77,386,297
EXPENDITURES					
Current					
Instruction	57,373,231	59,177,438	54,776,768	53,813,839	55,181,770
Instruction-Related Services:					
Supervision of instruction	2,991,554	2,738,268	2,610,523	1,903,712	2,086,977
Instructional library, media and technology	765,950	655,579	679,297	593,691	619,069
School site administration	5,855,099	5,617,358	5,442,723	5,046,811	5,086,064
Pupil services:					
Home-to-school transportation	1,271,241	1,286,612	1,205,391	1,156,350	1,173,199
Food services	-	-	-	-	-
All other pupil services	2,722,702	2,982,122	2,771,892	2,086,466	2,475,615
Administration:					
Data processing	715,108	850,210	611,981	825,028	825,513
All other administration	3,342,308	3,142,264	3,461,770	3,088,307	3,105,341
Plant services	6,714,163	6,215,672	6,013,010	5,395,213	5,494,941
Facility acquisition and construction	13,048	31,313	-	-	-
Ancillary services	500	-	-	-	-
Community services	2,187,693	1,474,628	1,472,952	1,349,300	1,365,449
Other outgo	760,193	259,556	931,571	649,054	773,660
Debt service					
Principal	-	-	-	-	-
Interest and other	86,100	-	-	-	-
Total Expenditures	84,798,890	84,431,020	79,977,878	75,907,771	78,187,598
Excess (Deficiency) of Revenues Over Expenditures	1,409,678	(886,636)	(2,918,314)	2,007,568	(801,301)
Other Financing Sources (Uses)					
Transfers in	1,837,035	427,365	427,365	427,365	427,365
Other sources	2,500,000	-	-	-	-
Transfers out	(1,959,399)	(1,572,166)	-	-	-
Net Financing Sources (Uses)	2,377,636	(1,144,801)	427,365	427,365	427,365
NET CHANGE IN FUND BALANCES	3,787,314	(2,031,437)	(2,490,949)	2,434,933	(373,936)
Fund Balances, July 1, beginning	14,375,147	18,162,461	16,131,024	13,640,075	16,075,008
Fund Balances, June 30, ending	$ 18,162,461	$ 16,131,024	$ 13,640,075	$ 16,075,008	$ 15,701,072

Source: Westminster School District Audited Financial Reports for fiscal years 2007-08 through 2011-12.

The following table shows the general fund balance sheet of the District for fiscal years 2007-08 through 2011-12.

WESTMINSTER SCHOOL DISTRICT
(Orange County, California)
Summary of General Fund Balance Sheet
Fiscal Years 2007-08 Through 2011-12

	Fiscal Year 2007–08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12
ASSETS					
Deposits and investments	$ 13,705,829	$ 11,440,193	$ 7,866,222	$ 6,439,725	$ 5,428,768
Receivables	8,437,556	13,528,260	13,800,254	15,888,548	19,807,209
Due from other funds	2,908,812	996,963	835,609	1,220,427	1,311,280
Prepaid expenditures	1,572,166	-	4,492	-	-
Stores Inventories	108,857	82,775	97,009	66,619	74,824
Total Assets	$ 26,733,220	$ 26,048,191	$ 22,603,586	$ 23,615,319	$ 26,622,081
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 6,847,002	$ 7,309,818	$ 7,637,175	$ 5,901,821	$ 6,849,097
Due to other funds	1,643,283	1,631,370	131,354	91,964	4,044,400
Deferred revenues	80,474	975,979	1,194,982	1,546,526	27,512
Total Liabilities	8,570,759	9,917,167	8,963,511	7,540,311	10,921,009
Fund Balances:[1]					
Nonspendable	-	-	-	166,619	174,824
Restricted	-	-	-	7,816,495	8,040,340
Committed	-	-	-	-	-
Assigned	-	-	-	2,436,187	376,585
Unassigned	-	-	-	5,655,707	7,109,323
Reserved for:					
Revolving cash	100,000	100,000	100,000	-	-
Stores inventories	108,857	82,775	97,009	-	-
Legally restricted balances	10,031,766	8,871,748	6,864,788	-	-
Prepaid expenditures	1,572,166	-	4,492	-	-
Unreserved reported in:					
Designated	4,650,983	2,873,375	2,758,735	-	-
Undesignated, report in:					
General Fund	1,698,689	4,203,126	3,815,051	-	-
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Total Fund Balances	18,162,461	16,131,024	13,640,075	16,075,008	15,701,072
Total Liabilities and Fund Balances	$ 26,733,220	$ 26,048,191	$ 22,603,586	$ 23,615,619	$ 26,622,081

[1] GASB 54, which became effective for fiscal year 2010-11, caused the District to change its Fund Balance classifications from "Reserved" and "Unreserved" to "Nonspendable," "Restricted," "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 2007-08: Nonspendable $1,781,023, Restricted $10,031,766, Committed $0; Assigned $970,728 and Unassigned $5,378,944; for fiscal year 2008-09: Nonspendable $182,775, Restricted $7,475,292, Committed $0; Assigned $351,107 and Unassigned $8,121,850; and for fiscal year 2009-10: Nonspendable $201,501, Restricted $6,864,788, Committed $0; Assigned $413,308 and Unassigned $6,160,478.

Source: Westminster School District Audited Financial Reports for fiscal years 2007-08 through 2011-12.

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 Orange County 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 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 received a qualified certification in connection with its second interim report for fiscal year 2009-10 and in connection with its first interim reports and second interim reports for fiscal years 2010-11 and 2011-12. The District also assigned a qualification certification to its first interim report for fiscal year 2012-13, acknowledging that while the District expects to meet its current year financial obligations based on present projections, the District may not be able to meet its financial obligations for the two subsequent fiscal years. During the last five years, the District has not received full funding from the State and, as the District receives a majority of its general fund revenues from State funds (projected at $43.5 million in fiscal year 2012-13), such reductions in State funds can have a significant impact on the District's finances. See "– State Funding of Education; State Budget Process" above. The District has been using one time funding sources and budget reductions to make up for such loss in State funding, however, such options are temporary and the qualified certification reflects the uncertainty of such solutions. It is the District's goal to implement ongoing expenditure reductions for fiscal year 2013-14, as needed, which the District expects to end deficit spending and restore the District to a positive certification.

The following table summarizes the District's adopted general fund budgets for fiscal years 2010-11, 2011-12 and 2012-13, unaudited actuals for fiscal years 2010-11 and 2011-12, and first interim report for fiscal year 2012-13.

WESTMINSTER SCHOOL DISTRICT
(Orange County, California)
General Fund Budgets for Fiscal Years 2010-11 Through 2012-13, Unaudited Actuals for Fiscal Years 2010-11 and 2011-12 and First Interim Report for Fiscal Year 2012-13

	2010-11 Original Adopted Budget	2010-11 Unaudited Actuals	2011-12 Original Adopted Budget	2011-12 Unaudited Actuals	2012-13 Original Adopted Budget	2012-13 First Interim Report
REVENUES						
Revenue Limit Sources	$46,085,580.00	$48,405,781.55	$49,007,711.00	$48,506,492.92	$48,582,965.00	$48,578,955.00
Federal Revenue	7,997,468.00	8,906,855.77	7,515,484.00	7,447,472.83	5,811,897.00	5,916,791.00
Other State Revenue	11,692,386.00	12,528,501.52	12,443,882.00	13,181,800.68	12,372,416.49	13,315,829.00
Other Local Revenue	5,391,842.00	6,833,366.62	5,763,969.00	6,833,466.24	6,043,807.00	6,122,595.22
TOTAL REVENUES	71,167,276.00	76,674,505.46[1]	74,731,046.00	75,769,232.47[1]	72,811,085.49	73,934,170.22
EXPENDITURES						
Certificated Salaries	37,778,860.00	37,974,997.75	38,909,628.00	39,169,174.90	39,382,132.00	39,435,954.00
Classified Salaries	12,398,904.00	11,791,624.63	11,946,891.00	12,210,414.33	12,169,437.00	12,197,518.54
Employee Benefits	15,355,196.51	15,027,332.12	15,628,134.00	15,674,809.34	15,823,034.00	15,717,227.00
Books and Supplies	1,889,709.49	3,199,091.72	2,787,973.00	2,535,981.95	2,291,200.60	2,829,517.52
Services, Other Operating Expenses	6,175,619.00	5,864,717.24	6,528,404.00	6,191,843.95	6,692,247.00	6,737,945.93
Capital Outlay	47,200.00	113,067.75	15,500.00	30,476.77	33,141.00	71,561.00
Other Outgo (excluding Direct Support/Indirect Costs)	500,000.00	649,054.40	702,000.00	773,659.59	465,030.00	465,030.00
Other Outgo - Transfers of Indirect Costs	(353,300.00)	(380,312.88)	(263,245.00)	(443,192.76)	(416,454.00)	(416,454.00)
TOTAL EXPENDITURES	73,792,189.00	74,239,572.73[1]	76,255,285.00	76,143,168.07[1]	76,439,767.60	77,038,299.99
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,538,688.00)	2,434,932.73	(1,524,239.00)	(373,935.60)	(3,628,682.11)	(3,104,129.77)
OTHER FINANCING SOURCES (USES)						
Inter-fund Transfers In	-	-	-	-	-	-
Inter-fund Transfers Out	-	-	-	-	-	-
Other Sources (Uses)	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
TOTAL, OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
NET INCREASE (DECREASE) IN FUND BALANCE	(2,624,913.00)	2,434,932.73	(1,524,239.00)	(373,935.60)	(3,628,682.11)	(3,104,129.77)
BEGINNING BALANCE, as of July 1	11,064,081.14	13,640,074.85	13,971,078.33	16,075,007.58	15,165,837.68	15,701,072.06
Audit Adjustments	-	-	-	-	-	-
As of July 1 – Audited	11,064,081.14	13,640,074.85	13,971,078.33	16,075,007.58	15,165,837.68	15,701,072.06
Other Restatements	-	-	-	-	-	-
Adjusted beginning Balance	11,064,081.14	13,640,074.85	13,971,078.33	16,075,007.58	15,165,837.68	15,701,072.06
ENDING BALANCE	$ 8,439,168.14	$16,075,007.58	$12,446,839.33	$15,701,071.98	$11,537,155.57	$12,596,942.29

[1] Total revenues and total expenditures do not match the District's audited financial statements because the District does not include contributions of teacher payroll to the State Teachers' Retirement System made by the State on behalf of the District in its internal financial reports, amounting to $1,657,297 and $2,044,428 in fiscal years 2010-11 and 2011-12, respectively. The District's audited financial statements include such amounts as revenues and as expenditures.

Source: Westminster School District Adopted general fund Budgets for fiscal years 2010-11, 2011-12 and 2012-13; unaudited actuals for fiscal years 2010-11 and 2011-12; and first interim report for fiscal year 2012-13.

District Debt Structure

Long-Term Debt Summary. A schedule of changes in the District's long-term obligations for the year ended June 30, 2012, consisted of the following:

Long-Term Debt	Beginning Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due Within One Year
2008 General Obligation Bonds, Series 2009A-1	$ 35,212,089	$ 745,895	$ 555,000	$35,402,984	$ -
Premium on issuance	1,506,872	-	64,812	1,442,060	-
2006 Refunding Certificates of Participation	16,650,000	-	410,000	16,240,000	425,000
Discount on issuance	(154,773)	-	(6,729)	(148,044)	-
2007 Certificates of Participation – QZABs	2,500,000	-	-	2,500,000	-
2003 Certificates of Participation – QZABs	5,000,000	-	-	5,000,000	-
2008 General Obligation Bond Anticipation Notes, Series A & B[(1)]	35,000,000	-	-	35,000,000	17,000,000
Accumulated vacation – net	1,025,881	107,974	-	1,133,855	-
Other postemployment benefits (OPEB)	900,816	1,254,634	1,236,005	919,445	-
Supplemental Early Retirement Plan (SERP)	2,915,239	-	728,810	2,186,429	728,810
Sub-Totals	$100,556,124	$2,108,503	$2,987,898	$99,676,729	$18,153,810

[(1)] The Series A Notes (defined below) are expected to be paid with proceeds from the Series 2013 Bonds.
Source: Westminster School District.

General Obligation Bonds. Without regard to the issuance of the Series 2013 Bonds, the District has one series of bonds outstanding which are secured by *ad valorem* taxes upon all property subject to taxation by the District. The District received authorization under Measure O at an election held on November 4, 2008 (the "2008 Authorization"), to issue bonds of the District in an aggregate principal amount not-to-exceed $130,000,000 under the 2008 Authorization. On October 8, 2009, the County, on behalf of the District, issued the Westminster School District General Obligation Bonds, Election of 2008, Series 2009A-1, in the aggregate initial principal amount of $34,995,681.30 (the "Series 2009A-1 Bonds") as the District's first series of authorized bonds to be issued under the 2008 Authorization.

See also "THE SERIES 2013 BONDS – Outstanding Bonds" and "–Aggregate Debt Service" in the front portion of this Official Statement for the annual debt service requirements for the Series 2009A-1 Bonds.

General Obligation Bond Anticipation Notes. On September 23, 2010, the District issued $17,000,000 aggregate principal amount of its General Obligation Bond Anticipation Notes, 2008 Election, Series A (the "Series A Notes"), and $18,000,000 aggregate principal amount of its General Obligation Bond Anticipation Notes, 2008 Election, Series B (the "Series B Notes"). The Series A Notes mature on March 29, 2013. The Series B Notes mature on September 1, 2014.

The Series A Notes and the Series B Notes (collectively, the "Notes") were issued in anticipation of the sale of additional general obligation bonds of the District under the 2008 Authorization to provide a portion of the funds necessary to finance certain school facilities projects authorized to be financed with the general obligation bonds. The Notes are payable from proceeds of the sale of general obligation bonds or any bond anticipation notes issued in renewal of the Notes pursuant to Section 15150 of the Education Code or from other funds of the District lawfully available for the purpose of repaying the Notes. The District has covenanted, as part of the issuance and sale of the Notes, to take actions, including, but not limited to, issuing and selling general obligation bonds to pay the Notes as such become due. Certain proceeds of the Series 2013 Bonds will be applied to the payment of the outstanding Series A Notes on their maturity date. The District expects to issue additional general obligation bonds in 2013 and, if not in 2013, then in 2014, to pay the Series B Notes which mature on September 1, 2014.

Certificates of Participation. On June 8, 2006, the District caused to be executed and delivered $17,790,000 aggregate principal amount of its Refunding Certificates of Participation, Series A of 2006 (the "2006 Refunding Certificates") pursuant to a lease agreement with the Westminster School District Financing Corporation (the "Corporation"). The proceeds of the 2006 Refunding Certificates were used primarily to prepay and defease the outstanding District's Variable Rate Demand Certificates of Participation 2004 Series A that were originally executed and delivered on December 22, 2004 in the original principal amount of $18,255,000 (the "2004 Certificates"). The 2006 Refunding Certificates have a final maturity date of December 1, 2034, with interest rates ranging from 4.00% to 4.85%. At June 30, 2012 the principal balance outstanding of the 2006 Refunding Certificates was $16,240,000. The 2006 Refunding Certificates mature through 2035 as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$425,000	$729,039	$1,154,039
2014	445,000	711,639	1,156,639
2015	460,000	693,539	1,153,539
2016	480,000	674,739	1,154,739
2017	500,000	654,889	1,154,889
2018-2022	2,830,000	2,929,069	5,759,069
2023-2027	3,510,000	2,221,381	5,731,381
2028-2032	4,410,000	1,297,937	5,707,937
2033-2035	3,180,000	231,325	3,411,325
Total	$16,240,000	$10,143,557	$26,383,557

Source: Westminster School District.

In December 2003, the District caused to be executed and delivered $5,000,000 aggregate principal amount of $5,000,000 Certificates of Participation, 2003 Series A (Qualified Zone Academy Bonds) (the "2003 QZABs"). The 2003 QZABs were executed and delivered at an aggregate price of $4,935,000 (representing the principal amount of $5,000,000 less issuance costs of $65,000). The District was granted authorization from the State Superintendent of Public Instruction (the "State Superintendent") to issue securities in an aggregate principal amount not-to-exceed $5,000,000 in accordance with the qualified zone academy bonds tax credit program (the "QZAB Program") found in Section 1397E of the Internal Revenue Code of 1986 (the "Code") and State regulations, to finance the District's Education Technology Plan (the "ET Plan"). An annual base rental payment of $260,698 will be deposited with Wells Fargo Bank into an interest generating investment to produce sufficient income to repay the 2003 QZABs upon maturity in December 2018.

In December 2007, the District caused to be executed and delivered $2,500,000 aggregate principal amount of Certificates of Participation, 2007 Series A (Qualified Zone Academy Bonds) (the "2007 QZABs"). The 2007 QZABs were executed and delivered at an aggregate price of $2,413,900 (representing the principal amount of $2,500,000 less issuance costs of $86,100). The District was granted authorization from the State Superintendent to issue securities in an aggregate principal amount not-to-exceed $2,500,000 in accordance with the QZAB Program to finance the District's ET Plan. An annual base rental payment of $166,667 plus interest will be deposited with Wells Fargo Bank until the 2007 QZABs mature in December 2022, at which point the funds deposited will be used to repay the $2,500,000.

Accumulated Unpaid Employee Vacation. The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2012, amounted to $1,133,855.

Tax and Revenue Anticipation Notes. The District has not issued any tax and revenue anticipation notes in fiscal year 2011-12. The District also has not issued and does not expect to issue any tax and revenue anticipation notes in fiscal year 2012-13.

Other Postemployment Benefits (OPEB) Obligations. The District's annual required contribution for the year ended June 30, 2012, was $1,268,202, and contributions made by the District during the year were $1,236,005. Interest on the net OPEB obligation and adjustmemnts to the annual required contribution were $45,041 and $(58,609), respectively, which resulted in an increase to the net OPEB obligation of $18,629. As of June 30, 2012, the net OPEB obligation was $919,445. For more information regarding the District's other post-employment benefits obligations, see "– Other Post-Employment Benefits (OPEBs)" and APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012, Note 11."

Supplemental Early Retirement Plan (SERP). During the 2009-10 fiscal year, the District adopted a supplemental retirement plan whereby certain eligible certificated and classified management employees and certain certificated and classified non-management employees are provided an annuity to supplement the retirement benefits they are entitled to from their retirement system. The criteria for employee participation were as follows: an employee of the District who is at least 55 years of age with at least five years of service to the District or is at least 50 years of age with 30 years of service to the District as of June 30, 2010, and who retired under CalSTRS or CalPERS as of June 30, 2010. The annuities offered to the employees are to be paid over a five-year period. The annuities, for the 73 employees who retired during the fiscal 2009-10 school year were purchased from Pacific Life Insurance Company. As of June 30, 2012, the balance of the obligation associated with the supplemental early retirement plan was $2,186,429.

Employment

As of June 30, 2012, the District employed 1,095 employees, consisting of 534 non-management certificated employees, 28 certificated management employees, 525 classified non-management employees, and 8 classified management employees. For the year ended June 30, 2012, the total certificated and classified payrolls are estimated to be approximately $39,169,175 and $12,210,414, respectively. District employees are represented by employee bargaining units as follows:

Name of Bargaining Unit	Number of Employees Represented	Current Contract Expiration Date
Westminster Teachers Association	528	June 30, 2013
California School Employees Association	517	June 30, 2014

Source: Westminster School District.

Retirement Benefits

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

CalSTRS. Contributions to CalSTRS are fixed in statute. Teachers contribute 8% of salary to CalSTRS, while school districts contribute 8.25%. In addition to the teacher and school contributions, the State contributes 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.

Because of the downturn in the stock market, an actuarial valuation as of June 30, 2003 showed a $118 million shortfall in the baseline benefits—one-tenth of 1% of accrued liability. Consequently, the surcharge kicked in for the first time in the fiscal year 2004-05 at 0.524% for three quarterly payments, which amounted to an additional $92 million from the State's general fund in fiscal year 2004-05. However, in addition to the small shortfall in pre-enhancement benefits (triggering the surcharge), the June 30, 2003, valuation also showed a substantial $23 billion unfunded liability for the entire system, including enhanced benefits. As indicated above, there is no required contribution from teachers, school districts or the State to fund this unfunded liability.

As of June 30, 2011, an actuarial valuation for the entire system, including enhanced benefits, showed an estimated unfunded actuarial liability of $64.5 billion, an increase of $8.5 billion from the June 30, 2010 valuation. 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.

CalSTRS has developed options to address the shortfall but most would require legislative action. In addition, in the Governor's 2005–06 proposed State budget and the 2005-06 May revise of the 2005-06 proposed State budget, the Governor previously proposed increasing the fixed contribution rate from 8.25% to 10.25% for school districts. Subsequently, the final 2005-06 State budget was adopted with a contribution rate of 8.25%. In addition to such prior proposal by the Governor to increase the fixed contribution rate for school districts, other proposals have been previously suggested that would modify the District's obligation to make contributions to CalSTRS to closely parallel the full cost of the retirement benefits provided by CalSTRS, which proposals would include components for unfunded liability. If such proposals were adopted, the District's annual obligations to CalSTRS would likely increase substantially. Governor Brown, however, has recently signed a pension reform measure that is expected to reduce future pension obligations of public employers like the District. See *"−Governor's Pension Reform"* below.

The District's employer contributions to CalSTRS for fiscal years 2008-09, 2009-10, 2010-11 and 2011-12 were $3,531,202, $3,369,059, $3,204,487, and $3,187,935, respectively, and were equal to 100% of the required contributions for each year. The District has budgeted employer contributions to CalSTRS of $3,213,053 for fiscal year 2012-13.

CalSTRS produces a comprehensive annual financial report which includes financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report 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.

According to the CalPERS State and Schools Actuarial Valuation as of June 30, 2011, the CalPERs Schools plan had a funded ratio of 78.7% on a market value of assets basis. The funded ratio as of June 30, 2010, June 30, 2009, June 30, 2008 and June 30, 2007 was 69.5%, 65.0%, 93.8% and 107.8%, respectively. 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, 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, 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.

The District's employer contributions to CalPERS for fiscal years 2008-09, 2009-10, 2010-11 and 2011-12 were $1,385,535, $1,034,193, $1,239,697 and $964,951, respectively, and were equal to 100% of the required contributions for each year. With the approval of the reduced discount rate, the District's employer contributions to CalPERS is expected to increase beginning in fiscal year 2012-13. The District has budgeted employer contributions to CalPERS of $1,268,328 for fiscal year 2012-13.

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

PARS. As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the Public Agency Retirement System ("PARS") as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 3.75% of an employee's gross earnings. An employee is required to contribute 3.75% of his or her gross earnings to the pension plan. The District's contributions to PARS for fiscal years 2008-09, 2009-10, 2010-11 and 2011-12 were $60,925, $60,361, $60,136 and $63,048, respectively. The District has budgeted employer contributions to PARS of $64,399 for fiscal year 2012-13.

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that will reform 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, CalPERS and PARS are more fully described in APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012, Note 13."

GASB 25 and 27. On July 8, 2011, the Governmental Accounting Standards Board ("GASB") released its exposure draft of proposed changes in pension accounting and financial reporting standards for state and local governments (GASB 25 and 27), and if implemented, these changes will impact the accounting treatment of pension plans, such as CalSTRS and CalPERS, in which state and local governments, like the District, participate. 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. Following public comments on the exposure draft in 2011, new standards could be adopted in final form in 2012 and are expected to take effect in fiscal years beginning mid-2013 for most employers. The District cannot predict whether GASB will implement these proposed changes in its accounting standards.

Other Post-Employment Benefits (OPEBs)

In addition to the retirement plan benefits with CalSTRS, CalPERS and PARS, the District provides certain post retirement healthcare benefits, in accordance with District employment contracts. For a description of the District's program, which is a single-employer defined benefit healthcare plan that provides health insurance benefits, 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, 2012."

GASB 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 the fiscal year ended June 30, 2009.

The contribution requirement of plan members and the District are established and may be amended by the District and the Westminster Teachers Association (WTQ), the local California School Employees Association (CSEA) and unrepresented groups. The annual required contributions for fiscal years 2008-09, 2009-10, 2010-11 and 2011-12 were $1,397,251, $1,262,610, $1,260,679 and $1,268,202, respectively. The District's contributions for these respective fiscal years were $1,043,887, $1,116,142, $859,695 and $1,236,005.

Demsey Filliger & Associates has prepared an actuarial valuation covering the District's retiree health benefits and reports that, as of July 1, 2009, the District had an unfunded actuarial accrued liability of $10,180,023. For more information regarding the actuarial valuation, the District's annual required contribution for fiscal year 2010-11 and the District's net OPEB obligation and prefunding of benefits at June 30, 2012, as well as the 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, 2012."

Public Entity Risk Pools and Joint Powers Authorities

The District participates in several joint ventures under joint powers agreements (the "JPAs"): Northern Orange County Liability and Property Self-Insurance Authority, Northern Orange County Self-Funded Workers' Compensation Insurance Agency, Alameda County Schools Insurance Group, and the Self-Insured Schools of California III. The District pays an annual premium to the applicable entity for its property liability, workers' compensation and health and welfare insurance coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units. Audited financial statements are generally available from the respective entities. During the year ended June 30, 2012, the District made payments of $313,822, $973,032, $772,993 and $6,115,367 to Northern Orange County Liability and Property Self-Insurance Authority, Northern Orange County Self-Funded Workers' Compensation Insurance Agency, Alameda County Schools Insurance Group and Self-Insured School of California III, respectively, for its property liability, workers' compensation and health and welfare insurance premiums.

For more information regarding the JPAs, see APPENDIX B— "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2012, Notes 12 and 15."

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 2011-12 fiscal year are equal to the allowable limit of $49,111,411.28 and estimates an appropriations limit for the 2012-13 fiscal year of $50,223,949.27. 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% percentage, 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 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

WESTMINSTER SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

WESTMINSTER SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2012

FINANCIAL SECTION

Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements	
Governmental Funds - Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	17
Fiduciary Funds - Statement of Net Assets	19
Notes to Financial Statements	20

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	54
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	55

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	57
Local Education Agency Organization Structure	59
Schedule of Average Daily Attendance	60
Schedule of Instructional Time	61
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	62
Schedule of Financial Trends and Analysis	63
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	65
General Fund Selected Financial Information	66
Cafeteria Fund Selected Financial Information	67
Note to Supplementary Information	68

INDEPENDENT AUDITORS' REPORTS

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*	71
Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	73
Report on State Compliance	75

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	78
Financial Statement Findings	79
Federal Awards Findings and Questioned Costs	80
State Awards Findings and Questioned Costs	81
Summary Schedule of Prior Audit Findings	82
Management Letter	83

FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Governing Board
Westminster School District
Westminster, California

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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 Westminster School District, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com
FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 11, budgetary comparison information and other postemployment benefits information on pages 54 and 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Rancho Cucamonga, California
November 28, 2012

Our Vision:
"High Academic Achievement, health, safety and well-being for all Westminster School District students"

WESTMINSTER SCHOOL DISTRICT

14121 Cedarwood Ave.
Westminster, CA
92683-4499
Tel: (714) 894-7311
Fax: (714) 899-2781

This section of Westminster School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

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

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

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

The Primary unit of the government is the Westminster School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were $61,944,498 for the fiscal year ended June 30, 2012. Of this amount, $358,281 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2012	2011
Assets		
Current and other assets	$ 106,699,587	$ 111,453,616
Capital assets	63,803,169	62,800,793
Total Assets	**170,502,756**	**174,254,409**
Liabilities		
Current liabilities	8,881,529	9,226,576
Long-term obligations	99,676,729	100,556,124
Total Liabilities	**108,558,258**	**109,782,700**
Net Assets		
Invested in capital assets, net of related debt	30,622,270	32,854,095
Restricted	30,963,947	25,514,135
Unrestricted	358,281	6,103,479
Total Net Assets	**$ 61,944,498**	**$ 64,471,709**

The $358,281 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 13. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2012	2011
Revenues		
Program revenues:		
Charges for services	$ 4,294,744	$ 2,480,686
Operating grants and contributions	23,794,419	27,315,138
General revenues:		
Federal and State aid not restricted	42,998,344	43,380,046
Property taxes	16,609,405	15,826,405
Other general revenues	3,396,207	4,230,537
Total Revenues	**91,093,119**	**93,232,812**
Expenses		
Instruction-related	65,125,554	63,400,698
Student support services	8,140,826	7,737,504
Administration	3,748,554	3,591,118
Maintenance and operations	5,819,947	5,167,458
Other	10,785,449	11,204,203
Total Expenses	**93,620,330**	**91,100,981**
Change in Net Assets	**$ (2,527,211)**	**$ 2,131,831**

Governmental Activities

As reported in the *Statement of Activities* on page 13, the cost of all of our governmental activities this year was $93.6 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $16.6 million because the cost was paid by those who benefited from the programs ($4.3 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($23.8 million). We paid for the remaining "public benefit" portion of our governmental activities with $46.4 million in State unrestricted funds, and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: Instruction, instruction-related service, home-to-school transportation, other pupil services, administration, maintenance and operations, community services, plus other services. As discussed above, net cost shows the financial burden taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction	$ 57,275,616	$ 55,768,456	$ 44,668,907	$ 42,166,787
Instruction-related services	7,849,938	7,632,242	6,287,428	5,596,534
Home-to-school transportation	1,301,228	1,269,509	826,772	801,261
Other pupil services	6,839,598	6,467,995	1,255,125	975,711
Administration	3,748,554	3,591,118	3,041,896	2,885,948
Maintenance and operations	5,819,947	5,167,458	5,792,678	4,623,712
Community services	6,408,264	7,089,721	746,456	1,010,090
Other	4,377,185	4,114,482	2,911,905	3,245,114
Total	**$ 93,620,330**	**$ 91,100,981**	**$ 65,531,167**	**$ 61,305,157**

Total District expenditures increased largely due to the reinstatement of three furlough days for employees. Other factors for increased expenditures include step and column movement, new special education classes, and additional support for large schools.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $96.2 million, which is a decrease of $4.0 million from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2011	Revenues	Expenditures	June 30, 2012
General Fund	$ 16,075,008	$ 77,813,662	$ 78,187,598	$ 15,701,072
Child Development Fund	840,059	5,669,295	5,544,231	965,123
Cafeteria Fund	3,474,106	4,972,933	4,237,067	4,209,972
Deferred Maintenance Fund	1,227,156	5,930	291,434	941,652
Building Fund	26,889,634	10,999,470	3,593,398	34,295,706
Capital Facilities Fund	782,090	2,201,260	1,697,772	1,285,578
County School Facilities Fund	-	2	-	2
Special Reserve Fund for Capital Outlay Projects	49,874,969	76,348	11,615,571	38,335,746
Bond Interest and Redemption Fund	1,118,803	948,813	1,559,550	508,066
Total	**$ 100,281,825**	**$ 102,687,713**	**$ 106,726,621**	**$ 96,242,917**

The primary reasons for these changes are:

1. Construction expenditures have increased as construction at our middle schools has begun.
2. The Deferred Maintenance Fund no longer receives General Fund matching funds and will continue to decline as we continue necessary projects.
3. Deficit spending in the General Fund due to State deficit factor applied to the revenue limit. The District is actively looking at ways to reduce/eliminate this for 2013-2014.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 54).

- Revenue and expenditure revisions made to the 2011-2012 Budget were due to changes in State and Federal funding that occurred after the adoption of the original budget. In addition, expenditure increases occurred after budget adoption due to the reinstatement of one furlough day in March 2012.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had $63.8 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of just over $1.0 million, or 1.6 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2012	2011
Land and construction in progress	$ 11,740,304	$ 8,316,316
Buildings and improvements	46,242,323	48,050,212
Equipment	5,820,542	6,434,265
Total	**$ 63,803,169**	**$ 62,800,793**

This year's major additions included:

Johnson Middle School Expansion	$ 671,871
Stacey Middle School Expansion	1,131,445
Warner Middle School Expansion	569,742
Fryberger Elementary School Parking Lot	569,741
Meairs Elementary Parking Lot	586,994
Portable Building Ramp replacements throughout the District	70,978
Total	**$ 3,600,771**

Long-Term Obligations

At the end of this year, the District had $99.7 million in long-term obligations versus $100.6 million last year, a decrease of 0.9 percent. Those long-term obligations consisted of:

Table 6

	Governmental Activities	
	2012	2011
Bond anticipation notes	$ 35,000,000	$ 35,000,000
General obligation bonds (net of premium)	36,845,044	36,718,961
Certificates of participation (net of discount)	16,091,956	16,495,227
Certificates of participation (Qualified Zone Academy Bonds)	7,500,000	7,500,000
Accumulated vacation - net	1,133,855	1,025,881
Other postemployment benefits (OPEB)	919,445	900,816
Supplemental early retirement plan	2,186,429	2,915,239
Total	**$ 99,676,729**	**$ 100,556,124**

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2011-2012 ARE NOTED BELOW

Clegg Elementary School was named a California Distinguished School for 2011-2012.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The key assumptions in our revenue forecast are:

1. Revenue limit deficits.
2. Federal and State categorical revenue projections based on the most current information available.
3. Utilizing State flexibility for categorical programs.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Preppie (Transitional) Kindergarten	22:1	264
Grades kindergarten through second	24:1	3,070
Elementary grades three through six	31:1	3,383
Middle school grades six through eight	28.4:1	2,557

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at Westminster School District, 14121 Cedarwood Avenue, Westminster, California, 92683, or e-mail at cfullerton@wsd.k12.ca.us.

WESTMINSTER SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS	
Deposits and investments	$ 83,815,889
Receivables	20,711,812
Stores inventories	119,033
Deferred costs on issuance	2,052,853
Capital assets	
Land and work in process	11,740,304
Other capital assets	89,070,753
Less: accumulated depreciation	(37,007,888)
Total Capital Assets	63,803,169
Total Assets	170,502,756
LIABILITIES	
Accounts payable	8,306,347
Accrued interest payable	477,712
Deferred revenue	97,470
Long-term obligations	
Current portion of long-term obligations	18,153,810
Noncurrent portion of long-term obligations	81,522,919
Total Long-Term Obligations	99,676,729
Total Liabilities	108,558,258
NET ASSETS	
Invested in capital assets, net of related debt	30,622,270
Restricted for:	
Debt service	697,027
Capital projects	17,096,594
Educational programs	8,040,340
Other activities	5,129,986
Unrestricted	358,281
Total Net Assets	$ 61,944,498

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

WESTMINSTER SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities
Governmental Activities:				
Instruction	$ 57,275,616	$ 1,424,540	$ 11,182,169	$ (44,668,907)
Instruction-related activities:				
Supervision of instruction	2,093,099	37	1,094,358	(998,704)
Instructional library, media, and technology	636,019	1,110	11,475	(623,434)
School site administration	5,120,820	88,741	366,789	(4,665,290)
Pupil services:				
Home-to-school transportation	1,301,228	-	474,456	(826,772)
Food services	4,163,062	650,923	3,896,825	384,686
All other pupil services	2,676,536	126,192	910,533	(1,639,811)
Administration:				
Data processing	880,063	933	4,865	(874,265)
All other administration	2,868,491	114,768	586,092	(2,167,631)
Plant services	5,819,947	561	26,708	(5,792,678)
Community services	6,408,264	1,599,960	4,061,848	(746,456)
Interest on long-term obligations	3,603,525	-	-	(3,603,525)
Other outgo	773,660	286,979	1,178,301	691,620
Total Governmental Activities	$ 93,620,330	$ 4,294,744	$ 23,794,419	(65,531,167)

General revenues and subventions:	
Property taxes, levied for general purposes	13,307,568
Property taxes, levied for debt service	945,871
Taxes levied for other specific purposes	2,355,966
Federal and State aid not restricted to specific purposes	42,998,344
Interest and investment earnings	121,131
Interagency revenues	44,493
Miscellaneous	3,230,583
Subtotal, General Revenues	63,003,956
Change in Net Assets	(2,527,211)
Net Assets - Beginning	64,471,709
Net Assets - Ending	$ 61,944,498

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

WESTMINSTER SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects
ASSETS			
Deposits and investments	$ 5,428,768	$ 35,009,733	$ 34,323,151
Receivables	19,807,209	13,038	12,743
Due from other funds	1,311,280	-	4,000,000
Stores inventories	74,824	-	-
Total Assets	$ 26,622,081	$ 35,022,771	$ 38,335,894
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 6,849,097	$ 727,053	$ 148
Due to other funds	4,044,400	12	-
Deferred revenue	27,512	-	-
Total Liabilities	10,921,009	727,065	148
Fund Balances:			
Nonspendable	174,824	-	-
Restricted	8,040,340	34,295,706	22,527,753
Committed	-	-	-
Assigned	376,585	-	15,807,993
Unassigned	7,109,323	-	-
Total Fund Balances	15,701,072	34,295,706	38,335,746
Total Liabilities and Fund Balances	$ 26,622,081	$ 35,022,771	$ 38,335,894

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

Non-Major Governmental Funds	Total Governmental Funds
$ 9,054,237	$ 83,815,889
878,822	20,711,812
45,885	5,357,165
44,209	119,033
$ 10,023,153	$ 110,003,899
$ 730,049	$ 8,306,347
1,312,753	5,357,165
69,958	97,470
2,112,760	13,760,982
45,109	219,933
6,923,630	71,787,429
941,652	941,652
2	16,184,580
-	7,109,323
7,910,393	96,242,917
$ 10,023,153	$ 110,003,899

[THIS PAGE INTENTIONALLY LEFT BLANK]

WESTMINSTER SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		**$ 96,242,917**
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	$ 100,811,057	
Accumulated depreciation is:	(37,007,888)	
Net Capital Assets		63,803,169
Expenditures relating to issuance and refunding of debt were recognized on modified accrual basis, but are not recognized on the accrual basis.		2,052,853
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(477,712)
Long-term obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bond Anticipation Notes	(35,000,000)	
General Obligation Bonds	(33,950,023)	
Premium on issuance of general obligation bonds	(1,442,060)	
2006 Refunding Certificates of Participation	(16,240,000)	
Discount on issuance of refunding certificates of participation	148,044	
2003 Certificates of Participation (Qualified Zone Academy Bonds)	(5,000,000)	
2007 Certificates of Participation (Qualified Zone Academy Bonds)	(2,500,000)	
Accumulated vacation - net	(1,133,855)	
Supplemental Early Retirement Program (SERP)	(2,186,429)	
Other postemployment benefits (OPEB)	(919,445)	
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:	(1,452,961)	
Total Long-Term Obligations		(99,676,729)
Total Net Assets - Governmental Activities		**$ 61,944,498**

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

WESTMINSTER SCHOOL DISTRICT

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

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects
REVENUES			
Revenue limit sources	$ 48,506,493	$ -	$ -
Federal sources	7,605,606	-	-
Other State sources	15,226,229	-	-
Other local sources	6,047,969	160,495	76,348
Total Revenues	77,386,297	160,495	76,348
EXPENDITURES			
Current			
Instruction	55,181,770	-	-
Instruction-related activities:			
Supervision of instruction	2,086,977	-	-
Instructional library, media and technology	619,069	-	-
School site administration	5,086,064	-	-
Pupil services:			
Home-to-school transportation	1,173,199	-	-
Food services	-	-	-
All other pupil services	2,475,615	-	-
Administration:			
Data processing	825,513	-	-
All other administration	3,105,341	-	-
Plant services	5,494,941	-	31,099
Facility acquisition and construction	-	3,593,398	147
Community services	1,365,449	-	-
Other outgo	773,660	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	745,350
Total Expenditures	78,187,598	3,593,398	776,596
Excess (Deficiency) of Revenues Over Expenditures	(801,301)	(3,432,903)	(700,248)
Other Financing Sources (Uses)			
Transfers in	427,365	10,838,975	-
Transfers out	-	-	(10,838,975)
Net Financing Sources (Uses)	427,365	10,838,975	(10,838,975)
NET CHANGE IN FUND BALANCES	(373,936)	7,406,072	(11,539,223)
Fund Balances - Beginning	16,075,008	26,889,634	49,874,969
Fund Balances - Ending	$ 15,701,072	$ 34,295,706	$ 38,335,746

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 48,506,493
4,315,551	11,921,157
3,217,408	18,443,637
6,265,274	12,550,086
13,798,233	91,421,373
-	55,181,770
-	2,086,977
-	619,069
-	5,086,064
-	
-	1,173,199
4,106,309	4,106,309
196,651	2,672,266
-	825,513
456,263	3,561,604
52,450	5,578,490
290,582	3,884,127
5,035,145	6,400,594
-	773,660
965,000	965,000
1,800,289	2,545,639
12,902,689	95,460,281
895,544	(4,038,908)
-	11,266,340
(427,365)	(11,266,340)
(427,365)	-
468,179	(4,038,908)
7,442,214	100,281,825
$ 7,910,393	$ 96,242,917

WESTMINSTER SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds		**$ (4,038,908)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceed depreciation in the period.		
Capital outlays	$ 3,726,099	
Depreciation expense	(2,395,469)	
Net expense adjustment		1,330,630
Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds.		(328,254)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and special termination benefits (early retirement), are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Early retirement benefits paid were $728,810. Vacation earned was more than the amounts used by $107,974.		620,836
Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide statements as an expense. The actual amount of the contribution was less than the annual required contribution.		(18,629)
If debt is issued at a discount or a premium in governmental funds, the discount or premium is recognized as an other financing use or an other financing source in the period it is incurred. In the government-wide financial statements, the discount or premium is amortized as interest over the life of the debt. The difference between the discount/premium recognized in the current period and the amortization for the period is:		58,083

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

WESTMINSTER SCHOOL DISTRICT

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

Costs associated with issuance or refunding of debt are recognized as expenditures in the period they are incurred in governmental funds. However, in the government-wide statements, costs associated with issuance or refunding of debt are amortized over the life of the debt. The difference between debt issue and refunding costs recognized in the current period and debt issue and refunding costs amortized for the period is:	$ (376,065)
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:	965,000
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded 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. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds and refunding certificates of participation decreased by $5,991, and second, $745,895 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.	(739,904)
Change in Net Assets of Governmental Activities	$ (2,527,211)

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

WESTMINSTER SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Agency Funds
ASSETS	
Deposits and investments	$ 163,503
Stores inventories	19,775
Total Assets	$ 183,278
LIABILITIES	
Due to student groups	$ 183,278
Total Liabilities	$ 183,278

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Westminster School District (the District) was organized in 1872 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 8 as mandated by the State and/or Federal agencies. The District operates thirteen elementary schools, three middle schools, a child care program, and a special programs center.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Westminster School District and the Westminster School District Financing Corporation (the Corporation), as represented by the 2007 Certificates of Participation (Qualified Zone Academy Bonds), the 2006 Refunding Certificates of Participation, and the 2003 Certificates of Participation (Qualified Zone Academy Bonds), have a financial and operational relationship which meets the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Corporation as a component unit of the District. The financial activity of the Corporation with respect to the 2006 Refunding Certificates of Participation is presented in the financial statements within the Capital Facilities Fund. The financial activity of the Corporation with respect to the 2007 and 2003 Certificates of Participation (Qualified Zone Academy Bonds) is presented in the financial statements within the General Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Westminster School District Financing Corporation.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

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

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Child Development Fund The Child Development Fund is used to account separately for federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund The Cafeteria Fund is used to account separately for federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Capital Project Funds The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

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

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide *Statement of Activities* presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business type activities of the District and for each governmental function, and excludes fiduciary activity. 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*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

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 fund is presented in a separate column. Non-major governmental funds are aggregated and presented in a single column.

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

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2012, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental and fiduciary funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the 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, but are expensed as incurred.

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 10 to 20 years; equipment, 5 to 10 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from other funds/due to other funds". These amounts are eliminated in the governmental activities columns of the Statement of Net Assets.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Deferred Issuance Costs, Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. Premiums and discounts, as well as issuance costs and deferred amounts on refunding, are deferred and amortized over the life of the debt using the straight-line method.

Fund Balances - Governmental Funds

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements report $30,963,947 of restricted net assets.

Interfund Activity

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

New Accounting Pronouncements

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

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

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	$ 83,815,889
Fiduciary funds	163,503
Total Deposits and Investments	$ 83,979,392

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

Cash on hand and in banks	$ 26,388,357
Cash in revolving	100,900
Investments	57,490,135
Total Deposits and Investments	$ 83,979,392

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California *Government Code* Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

General Authorizations

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

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

Investments Authorized Under Debt Agreement

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Federal Financing Bank	N/A	None	None
Export-Import Bank	N/A	None	None
Rural Economic Community Development Administration	N/A	None	None
U.S. Treasury Obligations	N/A	None	None
Registered State Bonds, Notes, Warrants	N/A	None	None
Federal Housing Administration Debentures	N/A	None	None
Farmers Home Administration Certificates	N/A	None	None
Federal Home Loan Mortgage Corporation Obligations	N/A	None	None
Farm Credit Banks Bonds and Notes	N/A	None	None
Federal Home Loan Banks Obligations	N/A	None	None
Federal National Mortgage Association Obligations	N/A	None	None
Student Loan Marketing Association Obligations	N/A	None	None
Financing Corporation Obligations	N/A	None	None
Resolution Funding Corporation Obligations	N/A	None	None
Federal Housing Administration Certificates	N/A	None	None
General Services Administration Certificates	N/A	None	None
Government National Mortgage Association Mortgage-Backed Securities and Certificates	N/A	None	None
Small Business Administration Certificates	N/A	None	None
U.S. Department of Housing and Urban Development Bonds	N/A	None	None
U.S. Maritime Administration Financings	N/A	None	None
Washington Metropolitan Area Transit Authority Bonds	N/A	None	None
Unsecured Certificates of Deposit, Time Deposits, and Bankers' Acceptances	30 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Repurchase Agreements	N/A	None	None
Investment Agreement	N/A	None	None
Pre-Funded Municipal Obligations	N/A	None	None
State Sponsered Investment Pools (LAIF)	N/A	None	None
Guaranteed Pool Certificates	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the Orange County Treasury Investment Pool and LAIF and by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Specific Identification

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

Investment Type	Carrying Value	Fair Value	Maturity Date/ Average Maturity in Days
Abbey National NA LLC Commercial Paper	$ 2,392,449	$ 2,424,630	12/12/2012
Wells Fargo Government Money Market Service Funds	3,026	3,026	32
Wells Fargo 100% Treasury Money Market Funds	2,250,881	2,250,881	55
Orange County Treasury Investment Pool	41,816,767	41,867,410	347
Local Agency Investment Fund (LAIF)	11,027,012	11,040,461	268
Total	$ 57,490,135	$ 57,586,408	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in LAIF is not required to be rated, nor has been rated as of June 30, 2012. The District's investments in the Orange County Treasury Investment Pool, Wells Fargo Government Money Market Service Funds, and Wells Fargo 100% Treasury Money Market Funds are rated Aaa by Moody's Investor Service. The Abbey National NA LLC Commercial Paper is rated P1 by Moody's Investor Service.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2012, the District was exposed to $22,527,752 of custodial credit risk, as these funds were not collateralized. The permitted investment requirements under the Bank Anticipation Notes financing document require that the District's deposit be with an institution rated A-1+. U.S. Bank, the custodian for this deposit, is rated A-1+, and accordingly the deposit is entirely backed by the credit of U.S. Bank.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateralized securities that are in possession of an outside party. Of the investment in the Abbey National NA LLC, the District has a custodial credit risk exposure of $2,250,881 (fair value of $2,250,881) because the related securities are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the name of the District.

NOTE 3 - RECEIVABLES

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

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Federal Government					
Categorical aid	$ 1,603,443	$ -	$ -	$ 697,292	$ 2,300,735
State Government					
Apportionment	13,715,653	-	-	-	13,715,653
Categorical aid	1,411,201	-	-	15,592	1,426,793
Lottery	734,432	-	-	-	734,432
SELPA	2,142,621	-	-	-	2,142,621
Local Government					
Interest	11,155	13,038	12,743	1,686	38,622
Other Local Sources	188,704	-	-	164,252	352,956
Total	$ 19,807,209	$ 13,038	$ 12,743	$ 878,822	$ 20,711,812

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 3,433,851	$ -	$ -	$ 3,433,851
Construction in Progress	4,882,465	3,432,744	8,756	8,306,453
Total Capital Assets Not Being Depreciated	8,316,316	3,432,744	8,756	11,740,304
Capital Assets Being Depreciated:				
Land Improvements	7,393,170	-	-	7,393,170
Buildings and Improvements	71,121,657	199,529	709,347	70,611,839
Furniture and Equipment	11,056,736	102,582	93,574	11,065,744
Total Capital Assets Being Depreciated	89,571,563	302,111	802,921	89,070,753
Total Capital Assets	97,887,879	3,734,855	811,677	100,811,057
Less Accumulated Depreciation:				
Land Improvements	5,961,808	213,250	-	6,175,058
Buildings and Improvements	24,502,807	1,465,914	381,093	25,587,628
Furniture and Equipment	4,622,471	716,305	93,574	5,245,202
Total Accumulated Depreciation	35,087,086	2,395,469	474,667	37,007,888
Governmental Activities Capital Assets, Net	$ 62,800,793	$ 1,339,386	$ 337,010	$ 63,803,169

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

Governmental Activities	
Instruction	$ 2,006,578
Supervision of instruction	2,864
Instructional library, media, and technology	15,910
School site administration	26,807
Home-to-school transportation	126,447
Food services	53,674
Data processing	31,649
All other administration	53,764
Plant services	77,776
Total Depreciation Expenses Governmental Activities	$ 2,395,469

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2012, between major and non-major governmental funds, are as follows:

	Due From			
Due To	General Fund	Building Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 12	$ 1,311,268	$ 1,311,280
Special Reserve Fund for Capital Outlay Projects	4,000,000	-	-	4,000,000
Non-Major Governmental Funds	44,400	-	1,485	45,885
Total	$ 4,044,400	$ 12	$ 1,312,753	$ 5,357,165

The balance of $4,000,000 is due from the General Fund to the Special Reserve Fund for Capital Outlay Projects for cash flow loans.

A balance of $36,662 is due from the General Fund to the Child Development Non-Major Governmental Fund for program related services, summer pay and benefits adjustment.

A balance of $7,738 is due from the General Fund to the Cafeteria Non-Major Governmental Fund for a benefits adjustment, catering services and bank fees.

A balance of $356,783 is due from the Child Development Non-Major Governmental Fund to the General Fund for benefits and other operating expenditures.

A balance of $260,918 is due from the Child Development Non-Major Governmental Fund to the General Fund for indirect costs.

The balance of $1,485 is due from the Child Development Non-Major Governmental Fund to the Cafeteria Non-Major Governmental Fund for catering services and bank fees.

A balance of $115,946 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for benefits and other operating expenditures.

A balance of $181,259 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for indirect costs.

The balance of $12 is due from the Building Fund to the General Fund for operating expenditures.

A balance of $396,362 is due from the Capital Facilities Non-Major Governmental Fund to the General Fund for reimbursement of other operating expenditures.

Operating Transfers

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

	Transfer From		
Transfer To	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
General Fund	$ -	$ 427,365	$ 427,365
Building Fund	10,838,975	-	10,838,975
Total	$ 10,838,975	$ 427,365	$ 11,266,340

The Capital Facilities Non-Major Governmental Fund transferred $427,365 to the General Fund for the QZAB sinking fund payment.

The Special Reserve Fund for Capital Outlay Projects transferred $10,838,975 to the Building Fund for the proceeds from bond advancement.

NOTE 6 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Salaries and benefits	$ 5,345,861	$ -	$ -	$ 673,318	$ 6,019,179
Supplies and services	390,018	10,765	148	16,278	417,209
Capital outlay	-	711,783	-	-	711,783
Due to SELPA	466,326	-	-	-	466,326
Other vendor payables	646,892	4,505	-	40,453	691,850
Total	$ 6,849,097	$ 727,053	$ 148	$ 730,049	$ 8,306,347

NOTE 7 - DEFERRED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 2,606	$ -	$ 2,606
State categorical aid	24,906	8,802	33,708
Other local	-	61,156	61,156
Total	$ 27,512	$ 69,958	$ 97,470

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due in One Year
2008 General Obligation Bonds, Series 2009A-1	$ 35,212,089	$ 745,895	$ 555,000	$ 35,402,984	$ -
Premium on issuance	1,506,872	-	64,812	1,442,060	-
2006 Refunding Certificates of Participation	16,650,000	-	410,000	16,240,000	425,000
Discount on issuance	(154,773)	-	(6,729)	(148,044)	-
2007 Certificates of Participation - Qualified Zone Academy Bonds	2,500,000	-	-	2,500,000	-
2003 Certificates of Participation - Qualified Zone Academy Bonds	5,000,000	-	-	5,000,000	-
2008 General Obligation Bond Anticipation Notes, Series A & B	35,000,000	-	-	35,000,000	17,000,000
Accumulated vacation - net	1,025,881	107,974	-	1,133,855	-
Other postemployment benefits (OPEB)	900,816	1,254,634	1,236,005	919,445	-
Supplemental early retirement plan (SERP)	2,915,239	-	728,810	2,186,429	728,810
Total	$ 100,556,124	$ 2,108,503	$ 2,987,898	$ 99,676,729	$ 18,153,810

Payments on the General Obligation Bonds will be made by the Bond Interest and Redemption Fund with local revenues. Payments on the General Obligation Anticipation Notes will be made from debt proceeds in the Bond Interest and Redemption Fund. Payments on the 2006 Refunding Certificates of Participation are made by the Capital Facilities Fund. The General Fund will make the payment for the Supplemental Early Retirement Plan. Accrued vacation will be paid by the fund for which the employee worked. Other postemployment benefits will be paid by the General Fund.

2008 General Obligation Bonds, Series 2009A-1

In September 2009, the District issued the $34,995,681 Election of 2008 General Obligation Bonds, Series 2009A-1. The Series 2009A-1 bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting to $15,154,319, and an aggregate principal debt service balance of $50,150,000. The bonds have a final maturity of August 1, 2034, with interest rate yields of 0.75 to 5.79 percent. Proceeds from the sale of the bonds will be used to finance the acquisition, construction, modernization, and equipping of certain District schools, sites, and facilities and to pay the cost of issuing the bonds. At June 30, 2012, the principal balance outstanding of the 2008 General Obligation Bonds, Series 2009A-1 was $35,402,984. Unamortized premium and deferred costs on issuance as of June 30, 2012, were $1,442,060 and $1,442,060, respectively.

The Bonds mature through 2035 as follows:

Year Ending, June 30,	Principal Including Accreted Interest To Date	Accreted Interest	Current Interest	Total
2013	$ -	$ -	$ 999,000	$ 999,000
2014	714,984	30,016	999,000	1,744,000
2015	754,299	60,701	999,000	1,814,000
2016	484,004	60,996	999,000	1,544,000
2017	917,541	167,459	999,000	2,084,000
2018-2022	4,774,560	2,050,440	4,995,000	11,820,000
2023-2027	5,371,678	5,138,322	4,995,000	15,505,000
2028-2032	9,035,918	5,979,081	4,672,500	19,687,499
2033-2035	13,350,000	-	1,052,750	14,402,750
Total	$ 35,402,984	$ 13,487,015	$ 20,710,250	$ 69,600,249

2006 Refunding Certificates of Participation

In June 2006, the District issued the 2006 Refunding Certificates of Participation in the amount of $17,790,000. The Certificates were issued at an aggregate price of $17,186,253 (representing the principal amount of $17,790,000 less discount on issuance of $188,419 and less issuance costs of $415,328). The Certificates have a final maturity date of December 1, 2034, with interest rates ranging from 4.00 to 4.85 percent. Proceeds from the Certificates were used to provide funds to prepay and defease the District's 2004 Certificates of Participation, with any residual amounts to be used to finance the cost of acquisition and improvement of certain school facilities. As of June 30, 2012, the principal balance outstanding was $16,240,000. Unamortized discount and deferred costs of issuance as of June 30, 2012, were $148,044 and $309,516, respectively.

The certificates mature through 2035 as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 425,000	$ 729,039	$ 1,154,039
2014	445,000	711,639	1,156,639
2015	460,000	693,539	1,153,539
2016	480,000	674,739	1,154,739
2017	500,000	654,889	1,154,889
2018-2022	2,830,000	2,929,069	5,759,069
2023-2027	3,510,000	2,221,381	5,731,381
2028-2032	4,410,000	1,297,937	5,707,937
2033-2035	3,180,000	231,325	3,411,325
Total	$ 16,240,000	$ 10,143,557	$ 26,383,557

2007 Certificates of Participation (Qualified Zone Academy Bonds)

In December 2007, the District, pursuant to a sublease agreement with Westminster School District Financing Corporation (the Corporation), issued $2,500,000 Certificates of Participation, 2007 Series A (Qualified Zone Academy Bonds). The Certificates were issued at an aggregate price of $2,413,900 (representing the principal amount of $2,500,000 less issuance costs of $86,100). The District has been granted authorization from the State Superintendent of Public Instruction to issue securities in an aggregate principal amount not to exceed $2,500,000 in accordance with the qualified zone academy bonds tax credit program found in Section 1397E of the Internal Revenue Code of 1986 and State regulations, to finance the District's Education Technology Plan. The District and the Corporation, in order to facilitate the financing of project under the QZAB Program, entered into a lease agreement by which the District will lease to the Corporation those certain parcels of real property located within the District and pursuant to a sublease, the Corporation will sublease the property to the District, with the District required to pay base rental to the Corporation. The annual base rental payment of $166,667 plus interest will be deposited with Wells Fargo Bank until the Certificates mature in December 2022, at which point the funds deposited will be used to repay the $2,500,000. At June 30, 2012, the principal balance outstanding was $2,500,000. Unamortized deferred costs of issuance as of June 30, 2012, were $60,270.

2003 Certificates of Participation (Qualified Zone Academy Bonds)

In December 2003, the District, pursuant to a sublease agreement with Westminster School District Financing Corporation (the Corporation), issued $5,000,000 Certificates of Participation, 2003 Series A (Qualified Zone Academy Bonds). The Certificates were issued at an aggregate price of $4,935,000 (representing the principal amount of $5,000,000 less issuance costs of $65,000). The District has been granted authorization from the State Superintendent of Public Instruction to issue securities in an aggregate principal amount not to exceed $5,000,000 in accordance with the qualified zone academy bonds tax credit program found in Section 1397E of the Internal Revenue Code of 1986 and State regulations, to finance the District's Education Technology Plan. The District and the Corporation, in order to facilitate the financing of project under the QZAB Program, entered into a lease agreement by which the District will lease to the Corporation those certain parcels of real property located within the District and pursuant to a sublease, the Corporation will sublease the property to the District, with the District required to pay base rental to the Corporation. The annual base rental payment of $260,698 will be deposited with Wells Fargo Bank into an interest generating investment to produce sufficient income to repay the $5,000,000 Certificates upon maturity in December 2018. At June 30, 2012, the principal balance outstanding was $5,000,000. Unamortized deferred costs of issuance as of June 30, 2012, were $28,169.

2008 General Obligation Bond Anticipation Notes, Series A and B

In September 2010, the District issued $35,000,000 of 2008 General Obligation Bond Anticipation Notes (BANs), Series A and B. The Series A notes of $17,000,000 were issued as current interest bonds with an interest rate of 1.75 percent, and mature December 1, 2012. The Series B notes of $18,000,000 were also issued as current interest bonds with an interest rate of 2.65 percent, and mature September 1, 2014. Neither the Series A nor the Series B notes are subject to redemption prior to maturity. Proceeds from the sale of the notes will be used to finance the health and safety repairs and the construction and modernization of various schools within the District, fund capitalized interest accruing in respect of the Series A BANs through December 1, 2012, fund capitalized interest accruing in respect of the Series B BANs through September 1, 2013, and pay costs associated with the issuance of the BANs. At June 30, 2012, the principle balance outstanding of the 2008 General Obligation Anticipation Notes, Series A and B was $35,000,000. Unmatured deferred costs of issuance as of June 30, 2012 were $212,838.

The bonds mature as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 17,000,000	$ 625,750	$ 17,625,750
2014	-	477,000	477,000
2015	18,000,000	477,000	18,477,000
Total	$ 35,000,000	$ 1,579,750	$ 36,579,750

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2012, amounted to $1,133,855.

Other Postemployment Benefit (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2012, was $1,268,202, and contributions made by the District during the year were $1,236,005. Interest on the net OPEB obligation and adjustments to the annual required contribution were $45,041 and $(58,609), respectively, which resulted in an increase to the net OPEB obligation of $18,629. As of June 30, 2012, the net OPEB obligation was $919,445. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Supplemental Early Retirement Plan (SERP)

During the 2009-2010 school year, the District adopted a supplemental retirement plan whereby certain eligible certificated and classified management employees and certain certificated and classified non-management employees are provided an annuity to supplement the retirement benefits they are entitled to from their retirement system. The criteria for employee participation were as follows: an employee of the District, who is at least 55 years of age with at least five years of service to the District or is at least 50 years of age with 30 years of service to the District as of June 30, 2010, and who retired under CalSTRS/CalPERS as of June 30, 2010. The annuities offered to the employees are to be paid over a five-year period. The annuities, for the 73 employees who retired during the 2009-2010 school year were purchased from Pacific Life Insurance Company. As of June 30, 2012, the balance of the obligation associated with the supplemental early retirement plan was $2,186,429.

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Funds	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 100,000	$ -	$ -	$ 900	$ 100,900
Stores inventories	74,824	-	-	44,209	119,033
Total Nonspendable	174,824	-	-	45,109	219,933
Restricted					
Legally restricted	8,040,340	-	-	5,129,986	13,170,326
Capital projects	-	34,295,706	22,527,753	1,285,578	58,109,037
Debt services	-	-	-	508,066	508,066
Total Restricted	8,040,340	34,295,706	22,527,753	6,923,630	71,787,429
Committed					
Deferred maintenance program	-	-	-	941,652	941,652
Total Committed	-	-	-	941,652	941,652
Assigned					
Textbook adoption set-aside	376,585	-	-	-	376,585
Other	-	-	15,807,993	2	15,807,995
Total Assigned	376,585	-	15,807,993	2	16,184,580
Unassigned					
Reserve for economic uncertainties	2,287,073	-	-	-	2,287,073
Remaining unassigned	4,822,250	-	-	-	4,822,250
Total Unassigned	7,109,323	-	-	-	7,109,323
Total	$ 15,701,072	$ 34,295,706	$ 38,335,746	$ 7,910,393	$ 96,242,917

NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2012, the District's General Fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
Funds	Budget	Actual	Excess
General Fund	$ 76,392,499	$ 78,187,598	$ 1,795,099

Actual expenditures include on-behalf payments of $2,044,428 as required by generally accepted accounting principles.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Westminster School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 93 retirees currently receiving benefits, two terminated Plan members entitled to but not yet receiving benefits, and 729 active Plan members.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association (CEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2011-2012, the District contributed $1,236,005 to the Plan, all of which was used for current premiums (approximately 93 percent of total premiums). Plan members receiving benefits contributed $100,212, or approximately seven percent of the total premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 1,268,202
Interest on net OPEB obligation	45,041
Adjustment to annual required contribution	(58,609)
Annual OPEB cost (expense)	1,254,634
Contributions made	(1,236,005)
Increase in net OPEB obligation	18,629
Net OPEB obligation, beginning of year	900,816
Net OPEB obligation, end of year	$ 919,445

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Costs	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2010	$ 1,262,610	$ 1,116,142	88%	$ 499,832
2011	1,260,679	859,695	68%	900,816
2012	1,254,634	1,236,005	99%	919,445

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2009	$ -	$ 10,180,023	$ 10,180,023	0%	$ 49,149,545	21%

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

Actuarial Methods and Assumptions

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

On the July 1, 2009, actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being unfunded. Healthcare cost trend rates ranged from an initial five percent to an ultimate rate of seven percent. The cost trend rate used for the Dental and Vision programs was four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2012, was 26 years.

NOTE 12 - RISK MANAGEMENT

Property and Liability

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

Workers' Compensation

For fiscal year 2012, the District participated in the Northern Orange County Self-Funded Workers' Compensation Insurance Agency (the Agency), a joint powers authority. The intent of the Agency is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Agency. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Agency. Each participant pays its workers' compensation premium based on its individual rate. Participation in the Agency is limited to districts that can meet the Agency's selection criteria.

Employee Medical Benefits

The District has contracted with Self-Insured Schools of California (SISC III), a joint powers authority, to provide employee health and welfare benefits. The District has also contracted with Alameda County Schools Insurance Group (ACSIG), a joint powers authority, to provide employee health and welfare benefits, specifically for dental benefits. SISC III and ACSIG are shared risk pools comprised of several local educational agencies. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2012, 2011, and 2010, were $3,187,935, $3,204,487, and $3,369,059, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the 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 survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 10.923 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011, and 2010, were $964,951, $1,239,697, and $1,034,193, respectively, and equal 100 percent of the required contributions for each year.

Public Agency Retirement System (PARS)

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the PARS as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 3.75 percent of an employee's gross earnings. An employee is required to contribute 3.75 percent of his or her gross earnings to the pension plan. The District's contributions to PARS for fiscal years ending June 30, 2012, 2011, and 2010, were $63,048, $60,136, and $60,361, respectively.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $2,044,428 (4.855 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on-behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule.*

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

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

Operating Leases

The District has entered into an operating lease for equipment with lease terms in excess of one year. The agreement does not contain a purchase option. The agreement does contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel the agreement prior to the expiration date.

Future minimum lease payments under this agreement are as follows:

Year Ending June 30,	Lease Payment
2013	$ 427,344
2014	427,344
2015	213,672
Total	$ 1,068,360

Lease payments for the year ended June 30, 2012, amounted to $424,322.

Construction Commitments

As of June 30, 2012, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitments	Expected Date of Completion
Johnson Middle School Bond Expansion	$ 2,089,899	8/28/2013
Warner Middle School Bond Expansion	1,760,812	8/22/2013
Stacey School Bond Expansion	1,400,463	8/22/2013
	$ 5,251,174	

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the Northern Orange County Liability and Property Self-Insurance Authority, Northern Orange County Self-Funded Workers' Compensation Insurance Agency, Alameda County Schools Insurance Group, and the Self-Insured Schools of California III joint powers authorities. The District pays an annual premium to the applicable entity for its property liability, workers' compensation and health and welfare insurance coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2012, the District made payments of $313,822, $973,032, $772,793, and $6,115,367 to Northern Orange County Liability and Property Self-Insurance Authority, Northern Orange County Self-Funded Workers' Compensation Insurance Agency, Alameda County Schools Insurance Group, and Self-Insured Schools of California III, respectively, for its property liability, workers' compensation, and health and welfare insurance premiums.

NOTE 16 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 70 (Chapter 7, Statutes of 2011), 39 percent of current year funding has now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

REQUIRED SUPPLEMENTARY INFORMATION

WESTMINSTER SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Revenue limit sources	$ 49,007,711	$ 48,507,781	$ 48,506,493	$ (1,288)
Federal sources	7,515,484	7,743,385	7,605,606	(137,779)
Other State sources	12,443,882	12,842,069	15,226,229	2,384,160
Other local sources	5,763,969	6,390,093	6,047,969	(342,124)
Total Revenues [1]	74,731,046	75,483,328	77,386,297	1,902,969
EXPENDITURES				
Current				
Certificated salaries	38,909,628	38,800,408	39,169,175	(368,767)
Classified salaries	11,946,891	12,056,127	12,210,414	(154,287)
Employee benefits	15,628,134	15,616,773	17,719,239	(2,102,466)
Books and supplies	2,787,973	3,351,986	2,535,982	816,004
Services and operating expenditures	6,528,404	6,456,929	6,191,845	265,084
Capital outlay	15,500	24,369	30,476	(6,107)
Other outgo	438,755	85,907	330,467	(244,560)
Total Expenditures [1]	76,255,285	76,392,499	78,187,598	(1,795,099)
Excess (Deficiency) of Revenues Over Expenditures	(1,524,239)	(909,171)	(801,301)	107,870
Other Financing Sources				
Transfers in	-	-	427,365	427,365
NET CHANGE IN FUND BALANCES	(1,524,239)	(909,171)	(373,936)	535,235
Fund Balances - Beginning	16,075,008	16,075,008	16,075,008	-
Fund Balances - Ending	$ 14,550,769	$ 15,165,837	$ 15,701,072	$ 535,235

[1] On behalf payments of $2,044,428 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

WESTMINSTER SCHOOL DISTRICT

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2007	$ -	$ 11,058,744	$ 11,058,744	0%	$ 49,317,304	22%
July 1, 2009	-	10,180,023	10,180,023	0%	49,149,545	21%

SUPPLEMENTARY INFORMATION

WESTMINSTER SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Emergency Response Plan for School Safety Initiative	84.184E	[1]	$ 7,830
Passed through California Department of Education (CDE):			
No Child Left Behind Act (NCLB)			
Title II, Part A Improving Teacher Quality State Grants Cluster:			
Title II, Part A - Improving Teacher Quality	84.367	14341	548,550
Title II, Part A - Principal Training	84.367	14344	7,997
Subtotal Improving Teacher Quality State Grants Cluster			556,547
Title II, Part D, Educational Technology State Grants Cluster:			
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	9,270
ARRA Title II, Part D, Enhancing Education Through Technology	84.386	15019	7,278
Subtotal Title II, Part D Educational Technology State Grants Cluster			16,548
Title I, Part A - Low Income and Neglected	84.010	14341	2,340,061
Title X McKinney-Vento Homeless Assistance Grants	84.196	14332	36,735
Title III, Part A - Limited English Proficiency	84.365	14346	534,427
Education Jobs Fund	84.410	25152	1,733,344
Passed through West Orange County SELPA:			
Individuals with Disabilities Education Act (IDEA) Cluster:			
Local Assistance Entitlement	84.027	13379	1,390,009
Preschool Local Entitlement	84.027A	13682	140,801
Preschool Grants, Part B, Sec 619	84.173	13430	63,678
Preschool Staff Development, Part B, Sec 611	84.173A	13431	320
ARRA IDEA Part B, Sec 611, Preschool Local Entitlement	84.392	15002	51,945
ARRA IDEA Local Assistance Early Intervening	84.392	15000	275,941
Subtotal Individuals with Disabilities Education Act (IDEA) Cluster			1,922,694
Early Intervention Grants	84.181	23761	2,374
State Improvement Grant, Improving Special Education Systems	84.323	14577	3,000
Total U.S. Department of Education			7,153,560

[1] Direct-award, no PCA number

See accompanying note to supplementary information.

WESTMINSTER SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medical Assistance Program Cluster:			
Medi-Cal Billing Option	93.778	10013	$ 222,882
Medi-Cal Administrative Activities	93.778	10060	158,134
Subtotal Medical Assistance Program Cluster			381,016
Passed through CDE:			
Federal Child Care	93.596	13609	317,019
Total U.S. Department of Health and Human Services			698,035
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Especially Needy Breakfast Program	10.553	13526	601,908
National School Lunch Program	10.555	13396	3,095,652
Commodities	10.555	13396	257,394
Meal Supplements	10.556	13392	43,578
Total U.S. Department of Agriculture			3,998,532
Total Expenditures of Federal Awards			$ 11,850,127

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2012

ORGANIZATION

The Westminster School District was established in 1872 and covers the Westminster area of Orange County. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 8 as mandated by the State and/or Federal agencies. The District operates thirteen elementary schools, three middle schools, a child care program, and a special programs center. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Sergio Contreras	President	2012
Dave Bridgewaters	Vice President	2014
Jo-Ann Purcell	Clerk	2012
Mary Mangold	Member	2014
Andrew Nguyen	Member	2014

ADMINISTRATION

Richard Tauer	Superintendent
Linda Baxter	Assistant Superintendent, Educational Services
Christine Fullerton	Assistant Superintendent, Business Services
Leisa Winston	Assistant Superintendent, Human Resources

See accompanying note to supplementary information.

WESTMINSTER SCHOOL DISTRICT

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

	Final Report	
	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,149	1,151
First through third	2,976	2,976
Fourth through sixth	3,161	3,158
Seventh and eighth	1,797	1,796
Home and hospital	2	1
Special education	346	351
Total	9,431	9,433

See accompanying note to supplementary information.

WESTMINSTER SCHOOL DISTRICT

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

Grade Level	1982-83 Actual Minutes	Reduced 1982-83 Actual Minutes	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2011-12 Actual Minutes	Number of Days		Status
						Traditional Calendar	Multitrack Calendar	
Kindergarten	31,500	29,400	36,000	33,600	48,925	175	-	Complied
Grades 1 - 3	44,640	41,664	50,400	47,040				
Grade 1	-	-	-	-	49,110	175	-	Complied
Grade 2	-	-	-	-	49,110	175	-	Complied
Grade 3	-	-	-	-	49,110	175	-	Complied
Grades 4 - 8	52,560	49,056	54,000	50,400				
Grade 4	-	-	-	-	52,740	175	-	Complied
Grade 5	-	-	-	-	52,740	175	-	Complied
Grade 6	-	-	-	-	52,740	175	-	Complied
Grade 7	-	-	-	-	58,508	175	-	Complied
Grade 8	-	-	-	-	58,508	175	-	Complied

See accompanying note to supplementary information.

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

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2012.

See accompanying note to supplementary information.

WESTMINSTER SCHOOL DISTRICT

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

	(Budget) 2013 [1]	2012	2011	2010
GENERAL FUND				
Revenues	$ 72,811,085	$ 77,386,297	$ 77,915,339	$ 77,059,564
Other sources and transfers in	-	427,365	427,365	427,365
Total Revenues and Other Sources	72,811,085	77,813,662	78,342,704	77,486,929
Expenditures	76,439,768	78,187,598	75,907,771	79,977,878
Total Expenditures and Other Uses	76,439,768	78,187,598	75,907,771	79,977,878
INCREASE (DECREASE) IN FUND BALANCE	$ (3,628,683)	$ (373,936)	$ 2,434,933	$ (2,490,949)
ENDING FUND BALANCE	$ 12,072,389	$ 15,701,072	$ 16,075,008	$ 13,640,075
AVAILABLE RESERVES [2]	$ 4,126,300	$ 7,109,323	$ 7,891,894	$ 6,160,478
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	5.40%	9.34%	10.63%	7.88%
LONG-TERM OBLIGATIONS	N/A	$ 99,676,729	$ 100,556,124	$ 66,280,147
K-12 AVERAGE DAILY ATTENDANCE AT P-2	9,297	9,431	9,472	9,455

The General Fund balance has increased by $2,060,997 over the past two years. However, the fiscal year 2012-2013 budget projects a decrease of $3,628,683 (23.1 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2012-2013 fiscal year. Total long-term obligations have increased by $33,396,582 over the past two years.

Average daily attendance has decreased by 24 over the past two years. An additional decline of 134 ADA is anticipated during fiscal year 2012-2013.

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

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

[3] On behalf payments of $2,044,428, $1,657,297, and $1,796,971 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2012, 2011, and 2010.

See accompanying note to supplementary information.

[THIS PAGE INTENTIONALLY LEFT BLANK]

WESTMINSTER SCHOOL DISTRICT

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

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	$ 1,841,731	$ 4,076,386	$ 946,562
Receivables	157,098	720,874	351
Due from other funds	36,662	9,223	-
Stores inventories	-	44,209	-
Total Assets	$ 2,035,491	$ 4,850,692	$ 946,913
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 442,380	$ 282,359	$ 5,261
Due to other funds	619,186	297,205	-
Deferred revenue	8,802	61,156	-
Total Liabilities	1,070,368	640,720	5,261
Fund Balances:			
Nonspendable	-	45,109	-
Restricted	965,123	4,164,863	-
Committed	-	-	941,652
Assigned	-	-	-
Total Fund Balances	965,123	4,209,972	941,652
Total Liabilities and Fund Balances	$ 2,035,491	$ 4,850,692	$ 946,913

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ 1,681,708	$ 2	$ 507,848	$ 9,054,237
281	-	218	878,822
-	-	-	45,885
-	-	-	44,209
$ 1,681,989	$ 2	$ 508,066	$ 10,023,153
$ 49	$ -	$ -	$ 730,049
396,362	-	-	1,312,753
-	-	-	69,958
396,411	-	-	2,112,760
-	-	-	45,109
1,285,578	-	508,066	6,923,630
-	-	-	941,652
-	2	-	2
1,285,578	2	508,066	7,910,393
$ 1,681,989	$ 2	$ 508,066	$ 10,023,153

WESTMINSTER SCHOOL DISTRICT

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

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	$ 317,019	$ 3,998,532	$ -
Other State sources	2,891,861	316,941	-
Other local sources	2,460,415	657,460	5,930
Total Revenues	5,669,295	4,972,933	5,930
EXPENDITURES			
Pupil services:			
Food services	51,517	4,054,792	-
All other pupil services	196,651	-	-
Administration:			
All other administration	260,918	182,275	-
Plant services	-	-	901
Facility acquisition and construction	-	-	290,533
Community services	5,035,145	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	5,544,231	4,237,067	291,434
Excess (Deficiency) of Revenues Over Expenditures	125,064	735,866	(285,504)
Other Financing Sources (Uses)			
Transfers out	-	-	-
Net Financing Sources (Uses)	-	-	-
NET CHANGE IN FUND BALANCES	125,064	735,866	(285,504)
Fund Balances - Beginning	840,059	3,474,106	1,227,156
Fund Balances - Ending	$ 965,123	$ 4,209,972	$ 941,652

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ 4,315,551
-	-	8,606	3,217,408
2,201,260	2	940,207	6,265,274
2,201,260	2	948,813	13,798,233
-	-	-	4,106,309
-	-	-	196,651
13,070	-	-	456,263
51,549	-	-	52,450
49	-	-	290,582
-	-	-	5,035,145
410,000	-	555,000	965,000
795,739	-	1,004,550	1,800,289
1,270,407	-	1,559,550	12,902,689
930,853	2	(610,737)	895,544
(427,365)	-	-	(427,365)
(427,365)	-	-	(427,365)
503,488	2	(610,737)	468,179
782,090	-	1,118,803	7,442,214
$ 1,285,578	$ 2	$ 508,066	$ 7,910,393

WESTMINSTER SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES OF FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012

(Amounts in thousands)	Actual Results for the Years					
	2011-2012		2010-2011		2009-2010	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	$ 7,606	9.8	$ 9,099	11.7	$ 7,961	10.3
State and local revenue included in revenue limit	48,506	62.7	48,406	62.1	46,405	60.3
Other State revenue	15,226	19.7	14,332	18.4	16,424	21.3
Other local revenue	2,993	3.9	1,053	1.4	1,499	1.9
Tuition and transfers in	3,055	3.9	5,025	6.4	4,771	6.2
Total Revenues	77,386	100.0	77,915	100.0	77,060	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	39,169	50.6	37,986	48.8	41,168	53.5
Classified salaries	12,211	15.8	11,792	15.1	12,954	16.8
Employee benefits	17,719	22.9	16,684	21.4	16,983	22.0
Total Salaries and Benefits	69,099	89.3	66,462	85.3	71,105	92.3
Books and supplies	2,536	3.3	3,199	4.1	1,951	2.5
Contracts and operating expenses	6,192	8.0	5,865	7.5	6,292	8.2
Capital outlay	30	0.0	113	0.1	27	0.0
Other outgo	330	0.4	268	0.3	603	0.8
Total Expenditures	78,187	101.0	75,907	97.3	79,978	103.8
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(801)	(1.0)	2,008	2.7	(2,918)	(3.8)
OTHER FINANCING SOURCES (USES)						
Net Financing Sources (Uses)	427	0.5	427	0.5	427	0.5
INCREASE (DECREASE) IN FUND BALANCE	(374)	(0.5)	2,435	3.2	(2,491)	(3.3)
FUND BALANCE, BEGINNING	16,075		13,640		16,131	
FUND BALANCE, ENDING	$ 15,701		$ 16,075		$ 13,640	
ENDING FUND BALANCE TO TOTAL REVENUES	$ 20.3		$ 20.6		$ 17.7	

See accompanying note to supplementary information.

WESTMINSTER SCHOOL DISTRICT

CAFETERIA FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012

(Dollar amounts in thousands)	Actual Results for the Years					
	2011-2012		2010-2011		2009-2010	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal - NSLP	$ 3,999	80.3	$ 3,951	79.6	$ 3,901	77.1
State meal program	317	6.4	285	5.7	318	6.3
Food sales	664	13.4	721	14.6	808	16.0
Other	(7)	(0.1)	7	0.1	28	0.6
Total Revenues	4,973	100.0	4,964	100.0	5,055	100.0
EXPENDITURES						
Salaries and employee benefits	1,820	36.6	1,761	35.5	1,844	36.5
Food	1,805	36.3	1,998	40.2	1,910	37.8
Supplies	323	6.5	179	3.6	158	3.1
Other	289	5.8	234	4.7	282	5.6
Total Expenditures	4,237	85.2	4,172	84.0	4,194	83.0
INCREASE IN FUND BALANCE	736	14.8	792	16.0	861	17.0
FUND BALANCE, BEGINNING	3,474		2,682		1,821	
FUND BALANCE, ENDING	$ 4,210		$ 3,474		$ 2,682	
ENDING FUND BALANCE TO TOTAL REVENUES		84.7		70.0		53.1

* *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2011-2012		2010-2011		2009-2010	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	250,598	18.5	303,625	22.2	335,861	23.9
Reduced price	166,318	12.2	156,471	11.4	189,048	13.4
Free	940,456	69.3	909,132	66.4	881,708	62.7
Total Lunches	1,357,372	100.0	1,369,228	100.0	1,406,617	100.0
BREAKFAST						
Paid	21,093	5.9	45,732	11.1	57,237	13.3
Reduced price	35,500	9.9	43,287	10.5	53,965	12.5
Free	301,646	84.2	323,305	78.4	319,925	74.2
Total Breakfast	358,239	100.0	412,324	100.0	431,127	100.0

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2012

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Bill Option funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2012. These unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures and Changes in Fund Balances:		$ 11,921,157
Medi-Cal Billing Option	93.778	(71,030)
Total Schedule of Expenditures of Federal Awards		$ 11,850,127

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided Federal awards to subrecipients as follows:

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Amount Provided to Subrecipients
Title I, Part A - Low Income and Neglected	84.010	$ 12,871
Title II, Part A - Improving Teacher Quality Local Grants	84.367	13,818
Title II, Part D - Enhancing Education Through Technology	84.318	2,425
Title III, Part A - Limited English Proficient	84.365	16,709
		$ 45,823

Local Education Agency Organization Structure

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2012

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

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

General Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

Cafeteria Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the cafeteria fund for the past three years.

INDEPENDENT AUDITORS' REPORTS

Vavrinek, Trine, Day & Co., LLP
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*

Governing Board
Westminster School District
Westminster, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Westminster School District as of and for the year ended June 30, 2012, which collectively comprise Westminster School District's basic financial statements and have issued our report thereon dated November 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

Internal Control Over Financial Reporting

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

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

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

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com
FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

Compliance and Other Matters

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

We noted certain matters that we reported to management of Westminster School District in a separate letter dated November 28, 2012.

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

Rancho Cucamonga, California
November 28, 2012

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

Governing Board
Westminster School District
Westminster, California

Compliance

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

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

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

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com
FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

Internal Control Over Compliance

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

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Rancho Cucamonga, California
November 28, 2012

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Westminster School District
Westminster, California

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

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

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

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten continuance	3	Yes
Independent study	23	Not applicable
Continuation education	10	Not applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not applicable

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

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

Rancho Cucamonga, California
November 28, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WESTMINSTER SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2012

FINANCIAL STATEMENTS	
Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major programs:	
Material weakness identified?	No
Significant deficiency 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 Numbers	Name of Federal Program or Cluster
84.027, 84.027A, 84.173, 84.173A, 84.392 (ARRA)	Individuals with Disabilities Education Act (IDEA) Cluster (Includes ARRA)
84.410	Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$ 355,504
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Type of auditors' report issued on compliance for programs:	Unqualified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

None reported.

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

None reported.

WESTMINSTER SCHOOL DISTRICT

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

None reported.

WESTMINSTER SCHOOL DISTRICT

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

There were no audit findings reported in the prior year's schedule of financial statement findings.

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

Governing Board
Westminster School District
Westminster, California

In planning and performing our audit of the financial statements of Westminster School District for the year ended June 30, 2012, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 28, 2012, on the financial statements of Westminster School District.

BANKING DEFICIENCIES

Observation

Through inquiry with District personnel, it appears that the District has not secured a collateralization agreement with Bank of the West for the District operated food services savings account. The Federal Deposit Insurance Corporation (FDIC) will insure up to $250,000 per Federal tax identification number. Amounts in excess of the FDIC insured amounts are not insured or collateralized unless the District enters into an agreement to collateralize deposits held by financial institutions.

Recommendation

In light of the current economic environment with financial institutions, it is in the best interest of the District to protect deposits held with financial institutions exceeding FDIC insured amounts by obtaining collateralization agreements for deposits. The District should obtain such agreements with financial institutions when funds held exceed the FDIC insured threshold.

ASSOCIATED STUDENT BODY (ASB)

Hayden Elementary School

Observation

During our audit of the Associated Student Body's internal controls over receipting, it was noted that receipts are not being issued by teachers at the time monies are being collected from students.

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com
FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

Recommendation

When receiving money for the students, supporting documentation should be maintained to document the exchange of money between the student and teacher. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the student's name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in. A receipt should be issued back to the teacher as proof that the monies were deposited intact.

Fryberger Elementary School

Observation

During our audit of the Associated Student Body's internal controls over receipting, it was noted that receipts are not being issued by teachers at the time monies are being collected from students.

Recommendation

When receiving money for the students, supporting documentation should be maintained to document the exchange of money between the student and teacher. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the student's name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in. A receipt should be issued back to the teacher as proof that the monies were deposited intact.

We will review the status of the current year comments during our next audit engagement.

Rancho Cucamonga, California
November 28, 2012

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Series 2013 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series 2013 Bonds in substantially the following form:

[Delivery Date]

Westminster School District
Westminster, California

Westminster School District
General Obligation Bonds, Election of 2008, Series 2013A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Westminster School District (the "District") in connection with the issuance by the County of Orange (the "County"), on behalf of the District, which is located in the County, of $_________ aggregate initial principal amount of Westminster School District General Obligation Bonds, Election of 2008, Series 2013A (the "Bonds"), representing part of an issue authorized at an election held in the District on November 4, 2008. The Bonds are issued under and pursuant to a resolution of the Board of Supervisors of the County adopted on January 15, 2013 (the "County Resolution"), at the request of the District pursuant to a resolution of the Board of Trustees of the District adopted on November 8, 2012 (the "District Resolution"). The Bonds consist of $__________ aggregate principal amount of current interest bonds, $_________ initial principal amount of capital appreciation bonds and $_________ aggregate initial principal amount of convertible capital appreciation bonds.

In such connection, we have reviewed the District Resolution, the County Resolution, the Tax Certificate of the District, dated the date hereof (the "Tax Certificate"), opinions of counsel to the District and the County, certificates of the District, the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District and the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the District Resolution, the County Resolution and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the District Resolution, the County Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts and counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. We also express no opinion regarding the accreted value table or calculation set forth or referred to in any of the Bonds. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated _________, 2013, relating to the Bonds, or other offering material relating to the Bonds, and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding obligations of the District.

2. The District Resolution has been duly adopted and constitutes a valid and binding obligation of the District.

3. The County Resolution has been duly adopted and constitutes a valid and binding obligation of the County.

4. The Board of Supervisors of the County has power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Bonds and the interest thereon.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate"), dated __________, 2013, is executed and delivered by the Westminster School District (the "District") in connection with the issuance of $______________ aggregate initial principal amount of Westminster School District General Obligation Bonds, Election of 2008, Series 2013A (the "Bonds"). 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 Owners 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). The Bonds are issued pursuant to the Resolution adopted by the Board of Supervisors of the County of Orange (the "County") on January 15, 2013 (the " County Resolution"), at the request of the Board of Trustees of the District by its resolution adopted on November 8, 2012.

Section 2. **Definitions.** In addition to the definitions set forth in the County 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 pursuant to, and as described in, Sections 3 and 4 hereof.

"Annual Report Date" means the date in each year that is nine months after the end of the District's fiscal year, which date, as of the date of this Disclosure Certificate, is April 1.

"Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

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

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

"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 ____________, 2013 (including all exhibits or appendices thereto), relating to the offering and sale of Bonds.

"Owner" means the person in whose name any Bond shall be registered.

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

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

Section 3. __Provision of Annual Reports__. (a) The District shall, or shall cause the Dissemination Agent to provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof, not later than the Annual Report Date, commencing with the report for the 2012-13 Fiscal Year. The Annual Report may include by reference other information as provided in Section 4 hereof; 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, or it shall instruct the Dissemination Agent to, give notice of such change in a filing with the MSRB.

(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 any. The Dissemination Agent shall (i) file any Annual Report received by it with the MSRB, as provided herein, and (ii) file a report with the District certifying that the Annual Report has been filed with the MSRB pursuant to this Disclosure Certificate, stating the date it was so filed.

(c) If the District is unable to file, or cause the Dissemination Agent to file, an Annual Report with the MSRB by the date required in subsection (a) of this Section, the District shall, in a timely manner, file or cause to be filed with the MSRB, a notice in substantially the form attached as Exhibit A.

Section 4. __Content of Annual Reports__. The Annual Report shall contain or include 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 filed with the MSRB pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed with the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

(i) The adopted budget of the District for the then current fiscal year.

(ii) The District's average daily attendance.

(iii) The District's outstanding debt.

(iv) Information regarding total assessed valuation of taxable properties within the District.

(v) Information regarding total secured tax charges and delinquencies on taxable properties within the District.

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

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been made available to the public on the MSRB website. The District shall clearly identify each such other document so included by reference.

Section 5. **__Reporting of Listed Events__.** (a) Pursuant to the provisions of this Section, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of credit or liquidity providers or their failure to perform;

(v) 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);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; and

(ix) bankruptcy, insolvency, receivership or similar event of the District.

For purposes of the event identified in paragraph (ix), 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) Pursuant to the provisions of this Section, 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, in a timely manner not later than ten business days after the occurrence of the event:

(i) unless described in paragraph (v) of subsection (a) of this Section, 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;

(ii) modifications to rights of Owners;

(iii) optional, unscheduled or contingent bond calls;

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

(v) non-payment related defaults;

(vi) 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; and

(vii) appointment of a successor or additional Paying Agent or the change of name of a Paying Agent.

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

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in subsection (a) of this Section, or determines that knowledge of a Listed Event described in subsection (b) of this Section would be material under applicable Federal securities laws, the District shall file, or shall cause the Dissemination Agent to file, within ten business days of such occurrence, a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in paragraphs (vii) of subsection (a) of this Section and (iii) of subsection (b) of this Section need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the County Resolution.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is 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, or cause the Dissemination to give, notice of such termination in a filing with the MSRB.

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. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be California Financial Services. If at any time there is not any other designated Dissemination Agent, the District shall be the 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 Section 3(a), Section 4 or Section 5(a) or (b) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) the 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 the Owners in the same manner as provided in the County Resolution for amendments to the County Resolution with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

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

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

Section 11. **Default.** In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Owner 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 County Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

WESTMINSTER SCHOOL DISTRICT

By: ___________________________________

EXHIBIT A

FORM OF NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Westminster School District
Name of Issue:	Westminster School District General Obligation Bonds, Election of 2008, Series 2013A
Date of Issuance:	___________, 2013

NOTICE IS HEREBY GIVEN that the Westminster School District (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate, dated ___________, 2013, executed and delivered by the District. [The District anticipates that the Annual Report will be filed by _____________.]

Dated: _______________

WESTMINSTER SCHOOL DISTRICT

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL DISCLOSURE

The information in this section has been provided by the County Treasurer. Neither the District nor the Underwriters have independently verified this information and neither guarantees the completeness or accuracy thereof.

The County Board of Supervisors (the "Board") approved the current County Investment Policy Statement (the "Investment Policy") on January 8, 2013 (see Appendix F – ORANGE COUNTY INVESTMENT POLICY STATEMENT" or **(ocgov.com/ocinvestments)**. (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement.) The Investment Policy applies to all funds managed by the Treasurer as delegated by the Board including, the Orange County Investment Pool, the Orange County Educational Investment Pool, the John Wayne Airport Investment Pool and various other small non-Pooled investment funds. The primary goal is to invest public funds in a manner which will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to Pool Participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds. The main investing objectives, in order of priority are: Safety, Liquidity and Yield.

Oversight of the investments is conducted in several ways. First, the Board established the County Treasury Oversight Committee (the "Committee") on December 19, 1995, pursuant to California Government Code Section 27130 et. seq. The Committee's primary responsibilities are as follows: to review and monitor the annual investment policy; cause an annual audit to be conducted on the Investment Policy; and to investigate any and all irregularities in the treasury operation that are reported. The County Treasurer nominates and the Board confirms the members of the Committee, which is comprised of the County Executive Officer, the County Auditor-Controller, the County Superintendent of Schools, and two public members. Next, the Auditor-Controller's Internal Audit Division audits the portfolio on a quarterly and annual basis pursuant to California Government Code Sections 26920 and 26922. Finally, an independent audit is also conducted annually as required by Sections 27130 through 27137 of California Government Code and the Investment Policy. All audit reports, and the monthly Treasurer's Investment Report are available on-line at ocgov.com/ocinvestments. (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement.)

The District's funds held by the County Treasurer are invested in the Orange County Educational Investment Pool (the "Pool") which pools all of the school district's funds. As of January 31, 2013, the balance in the District's funds was $57,040,271. The pool is invested 95% in securities rated in the two highest rating categories. As of January 31, 2013, the Pool has a weighted average maturity of 244 days and the year-to-date net yield is 0.34%.

The following represents the composition of the Pool as of January 31, 2013:

Type of Investment	Market Value (In thousands)	% of Pool
Municipal Debt	$ 72,941	2.30%
U.S. Government Agencies	2,575,733	81.24%
U.S. Treasuries	168,483	5.31%
Commercial Paper	14,995	0.47%
Certificates of Deposit	103,306	3.26%
Medium-Term Notes	111,346	3.51%
Money Market Mutual Funds	123,857	3.91%
Total	$ 3,170,661	100.00%

Neither the District nor the Underwriters have made an independent investigation of the investments in the Pools and has made no assessment of the current Investment Policy. The value of the various investments in the Pools 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 Treasurer, with the consent of the Treasury Oversight Committee and the County Board of Supervisors, may change the Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pools will not vary significantly from the values described herein.

APPENDIX F

ORANGE COUNTY INVESTMENT POLICY STATEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

Orange County Treasurer

Investment Policy Statement

(APPROVED BY B.O.S. 01/08/2013)

TABLE OF CONTENTS Page No.

I.	Policy Statement	3
II.	Scope	3
III.	Prudence	4
IV.	Delegation of Authority	5
V.	Objectives	5
VI.	Authorized Investments	6
VII.	Investment Restrictions	9
VIII.	Diversification and Maturity Restrictions	10
IX.	Prohibited Transactions	12
X.	Ethics and Conflict of Interest	13
XI.	Authorized Financial Dealers and Qualified Institutions	13
XII.	Performance Evaluation	14
XIII.	Safekeeping	14
XIV.	Maintaining Public Trust	14
XV.	Internal Controls	14
XVI.	Compensation Agreement	15
XVII.	Voluntary Participants	15
XVIII.	Withdrawal	16
XIX.	Performance Standards	16
XX.	Investment Policy Review	16
XXI.	Financial Reporting	16
XXII.	Legislative Changes	17
XXIII.	Disaster Recovery Program	17
XXIV.	Investment Policy Adoption	17
XXV.	Glossary	18

ORANGE COUNTY TREASURER
INVESTMENT POLICY STATEMENT

PURPOSE

This policy is intended to provide the structure for the prudent investment of the cash balances entrusted to the Orange County Treasurer (Treasurer) and outline the policies to assist in maximizing the efficiency of the Treasurer's cash management system while meeting the daily cash flow demands of the County, the School Districts, Community Colleges, voluntary participants and other County-related agency funds. The Treasurer's Investment Policy Statement is approved annually by the County Board of Supervisors as required by California Government Code Section 53646 (a) (1) and reviewed annually by the Treasury Oversight Committee, pursuant to the requirements of California Government Code Section 27133.

I. POLICY STATEMENT

The Investment practices and policies of the Treasurer are based on compliance with State law and prudent money management. The primary goal is to invest public funds in a manner which will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to Pool Participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

The Orange County Investment Fund (the "OCIF"), which includes all cash balances entrusted to the Treasurer as noted above, is designed to meet both the investment and cash requirements of our participants. If separate funds are established, the Treasurer shall determine on a cash flow basis what percent of available cash will be invested in each fund.

II. SCOPE

The scope of this Investment Policy Statement applies to all financial assets as indicated in II.1 below.

1. **FUNDS:**
   The Treasurer is responsible for investing the unexpended cash of the OCIF, defined as all moneys under the investment authority of the Treasurer, including funds, and subsets of funds, for the Orange County Department of Education; and excluding the County employee's pension and medical trust funds which are invested separately by Orange County Employees Retirement System (OCERS), and those funds which are invested separately by the County Treasurer under bond indenture agreements. The County Funds are accounted for in the County's CAFR and include:

   - Governmental Funds, including the General Fund
   - Enterprise Funds
   - Fiduciary Funds

Any other funds or new funds created by the County, unless specifically exempted.

a) Pooled Funds:

It is the Treasurer's policy to pool certain funds for investment purposes to provide efficiencies and economies of scale. Investing through pooled funds will provide for greater use for funds by allowing for more efficient cash flows, a reduction in transaction costs and improved access to the market. OCIF may be split into different pools to meet the specific needs of participants such as short-term money pools and longer-term pools. Each pool established will be reviewed separately for purposes of determining compliance with the Investment Policy Statement. These pools are based on the investment requirements detailed in California Government Code Section 53601 and 53635.

i. If a longer-term pool such as an extended fund is established by the Treasurer, it will be utilized for investment requirements between one and five years. It will be invested primarily in high grade securities.

ii. If short-term pools such as money market funds are established, they can be established as a single money market pool or as separate money market pools depending on the needs of the Pool Participants. These pools will be utilized for shorter-term investment requirements and providing liquidity for immediate cash needs. They will be invested primarily in cash-equivalent securities, commensurate with safety and liquidity.

b) Specific Investments:

From time to time, the Treasurer may be authorized by a participant's governing board to manage other "specific investments" or to manage bond proceeds issued by the County, a local school district, voluntary participant or other local agency. This may include deposits that are set aside for future needs of a long-term nature and may be appropriately invested in longer-term securities as allowed by Government Code. No investment will be made in any security with a remaining maturity in excess of five years at the time of purchase unless the Board of Supervisors has granted express authority to make such an investment specifically or as part of an investment program. Board of Supervisor's approval must occur at least three months prior to the investment or investment programs being effective. Strategies for such deposits may include matching maturities with long-term liabilities. Participating agencies will sign a written agreement acknowledging that there may be risk to principal should they desire to redeem funds early, thereby forcing an early sale of securities rather than holding investments to maturity. This agreement will be reviewed with the participating agency on an annual basis.

III. <u>PRUDENCE</u>

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County and the other depositors. Within the limitation of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law.

As outlined in Government Code Section 27000.3, the standard of prudence to be used by the Treasurer shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. In addition, the Treasurer will follow the “Prudent Investor Rule” which provides that pursuant to California Government Code Section 53600.3, that investments shall be made with judgment and care - under circumstances then prevailing - which person of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of their capital as well as the probable income to be derived.

The Treasurer and those delegated staff shall act in accordance with written procedures and investment policy, exercise due diligence, report in a timely fashion and implement appropriate controls to mitigate adverse developments.

IV. DELEGATION OF AUTHORITY

Annually, the County Board of Supervisors delegates to the Treasurer the authority to invest and reinvest the funds of the County and other depositors as specified in California Government Code Sections 27000.1, 53607 and 53608. Such delegation is conditioned upon the Treasurer submitting any and all investment policies and amendments thereto to the Board for review and approval. The Treasurer may further delegate investment authority to such persons within the Treasurer’s Department as deemed appropriate.

V. OBJECTIVES

Criteria for selecting investments and the absolute order of priority are:

1. SAFETY

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

The Treasurer shall seek to preserve principal and minimize capital losses by mitigating credit risk and market risk as follows:

a) Credit Risk: Defined as an issuer(s) ability and willingness to repay interest and principal. Credit risk shall be mitigated 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.

b) 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 mitigated by establishing a maximum weighted average maturity or duration for the portfolio. Occasional

2. **LIQUIDITY**
   Liquidity refers to the recurring maturity of a portion of the investment portfolio, as well as the ability to sell an investment at any given moment with a minimal chance of principal loss. A portion of OCIF, which may be in a separate pool, will maintain liquidity for the purpose of meeting all operating requirements and reasonably anticipated cash flow needs.

3. **YIELD**
   Yield refers to the objective of attaining a market rate of return commensurate with the risk profile and cash flow characteristics of the portfolio throughout budgetary and economic cycles. Although the Treasurer may employ certain indices to gauge the funds' rate of return, such indices shall be used solely for comparative purposes and do not constitute a warranty or guarantee of actual fund performance.

4. **MARK-TO-MARKET**
   To the extent reasonably possible and consistent with the Treasurer's trust and fiduciary duty, any funds in a money market fund will attempt to stabilize at a $1.00 net asset value (NAV). If the ratio of the market value of the money market fund divided by the book value of the money market fund is less than $.995 or greater than $1.005, holdings may be sold as necessary to maintain the ratio between $.995 and $1.005.

   The Treasurer will act on a "best efforts" basis to stabilize any short-term pools such as a money market fund within the $.995 to $1.005 range, however, the $1.00 NAV is not guaranteed or insured by the Treasurer.

VI. <u>AUTHORIZED INVESTMENTS</u>

The County is authorized by California Government Code Section 53600 et seq. to invest in specific types of securities. Investments not specifically listed below are prohibited. Consistent with the requirements of law and this Investment Policy Statement, the Treasurer may place orders for the execution of transactions with or through such broker/dealers, banks or counterparties as may be selected from time to time at his/her discretion. All securities must be U.S. dollar denominated. To the extent consistent with the objectives stated above, the investment restrictions outlined below, and the investment limitations specified in Section VII and VIII, the pools may invest in the following areas.

1. **U. S. TREASURY SECURITIES**
   United States Treasury bills, notes, bonds, or certificates of indebtedness, for which the full faith and credit of the United States are pledged for the payment of principal and interest. There is no limit on the percentage of portfolio that can be invested in this category.

2. **U. S. GOVERNMENT AGENCY SECURITIES**
   Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise. There is no limit on the percentage of

the pool that can be invested in this category, but each issuer is limited to 30% of any individual pool's total assets.

3. COMMERCIAL PAPER

Eligible commercial paper shall be of "prime" quality of the highest ranking or of the highest letter and number rating as provided by a Nationally Recognized Statistical Rating Organization (NRSRO), shall not exceed 270 days maturity and shall not exceed 40% of the fund. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):

a) Has total assets in excess of five hundred million dollars ($500,000,000), is organized and operating within the United States as a general corporation, and has debt other than commercial paper, if any, that is rated "A" or higher by a NRSRO.

b) Is organized in the United States as a special purpose corporation, trust, or limited liability company, has program-wide credit enhancements including, but not limited to overcollateralization, letters of credit or a surety bond, has commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.

Split ratings (i.e. A2/P1) are not allowed. No more than 5% of the total assets of any individual pool may be invested in any one issuer's commercial paper.

4. NEGOTIABLE CERTIFICATES OF DEPOSIT

Negotiable certificates of deposit issued by a U.S. national or state-chartered bank, savings bank, savings and loan association, or credit union in this state 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. Issuing banks must have a short-term rating of not less than A1/P1 and a long-term rating of not less than an "A" from a NRSRO, if any. No more than 30% of any individual pool's total assets may be invested in negotiable certificates of deposit.

5. REPURCHASE AGREEMENTS

Investments in repurchase agreements for the purpose of this Investment Policy Statement (as defined by section 53601(j) of the California Government Code) means a purchase of securities by the Treasurer pursuant to an agreement by which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to the Treasurer by book entry, physical delivery, or by third party custodial agreement. The term of a repurchase agreement shall not exceed one year. The term "securities," for the purpose of repurchase agreements, means securities of the same issuer, description, issue date, and maturity.

To participate in repurchase agreements, a master repurchase agreement must be completed and signed by all parties involved. The Treasurer will maintain a signed copy of the agreement. Repurchase agreements are required to be collateralized by securities or cash authorized under California Government Code Section 53601(j) (2).

1. **Collateralization:**
   In order to anticipate market changes and provide a level of security for all repurchase agreement transactions, the market value of securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less frequently than weekly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day.

   Collateral will be limited to U.S. Treasury and U.S. Government Agency securities. For compliance purposes, U.S. Treasury and/or U.S. Government Agency collateral are exempt from the issuer limits as stated in Section VIII.2 . Collateral will be held by an independent third party with whom the Treasurer has a current custodial agreement. A clearly marked evidence of ownership (safekeeping/custody receipt) must be supplied to the Treasurer and retained. The Treasurer retains the right to substitute or grant substitutions of collateral.

Investments in repurchase agreements may be collateralized by any securities authorized within this section, but are limited to no more than 20% of any individual pool's total assets. Agreements are subject to California Government Code Section 53601 and must comply with the delivery requirements and the maturity provision from Section 53601.

6. **BANKERS ACCEPTANCES**
Bankers acceptances, also known as time drafts (bills of exchange) are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days maturity. Issuing banks must be rated by at least two of the NRSRO and have a short-term rating of at least A1/P1 and a long-term rating of not less than "A" from a NRSRO, if any. Bankers' acceptances are limited to no more than 40% of any individual pool's total assets.

7. **MONEY MARKET MUTUAL FUNDS**
Shares of beneficial interest issued by diversified management companies that are mutual funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq), which only invest in direct obligations in U.S. Treasury bills, notes and bonds, U.S. Government Agencies and repurchase agreements with a weighted average maturity of 60 days or less. Mutual funds are not required to conform to the restrictions detailed in this Investment Policy Statement, but are limited to no more than 20% of any individual pool's total assets with no more than 10% of any individual pool's total assets in a single money market fund. At a minimum, approved mutual funds shall have met either of the following criteria:

a). Attained the highest ranking or the highest letter and numerical rating provided by no less than two NRSROs.

b). Retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience managing money market mutual funds with assets under management in excess of $500,000,000.

8. MUNICIPAL DEBT

Such instruments are defined as being issued by a local or state agency, including:

a). Bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

b). Registered state warrants or treasury notes or bonds, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of a state.

c). Bonds, notes, warrants, or other evidences of indebtedness of any local agency within a state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

Issuing municipalities must have a short-term rating of not less than A1/P1 and a long-term rating of not less than an "A" from a NRSRO, if any. Municipal debt issued by the County of Orange, California is exempt from this credit rating requirement.

9. MEDIUM-TERM NOTES

Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of not more than 397 days for any short-term pools such as money market funds and five years for any longer-term pools such as an extended fund. Medium-term notes must 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. Notes eligible for investment shall be rated not less than "A" or its equivalent from two NRSROs. Investments in medium-term notes are limited to no more than 30% of any individual pool's total assets.

10. INVESTMENT POOLS/MUTUAL FUNDS

Shares of beneficial interest issued by diversified management companies, or a joint powers authority organized pursuant to Government Code Section 6509.7 that invest in the securities and obligations as authorized under 53601 (l) (a) to (o), inclusive, and that comply with the investment restrictions of this article and Article 2. The Treasurer shall be required to investigate all local government investment pools and money market funds prior to investing and performing at least a quarterly review thereafter while the funds are invested in the pool or the money market fund.

The analysis shall include the following characteristics of a pool/fund as part of its investigation and quarterly review:

- Eligible securities
- Maximum maturity
- REPO collateral/counter-party
- Size of the pool/fund

- Limits on withdrawal/deposit
- Expense ratio

Investments in this investment type are limited to no more than 20% of any individual pool's total assets and no more than 10% of a single issuer.

VII. INVESTMENT RESTRICTIONS

1. CREDIT RATINGS:

Credit ratings will be applied at the time of purchase of a security. A subsequent downgrade in a security's credit rating will not constitute a violation of the Investment Policy. Securities which are downgraded below the minimum acceptable rating levels must be reviewed for possible sale within a reasonable amount of time.

Municipal debt issued by the County of Orange, California is exempt from the credit rating requirements listed below. U.S. Government obligations (as defined in Section VI (1) and VI (2)) are exempt from the credit rating requirements listed below.

The credit ratings referred to below must be assigned by one of the following Nationally Recognized Statistical Rating Organizations (NRSRO): Standard & Poor's Corporation "S&P", Moody's Investors Service, Inc. "Moody's" Fitch Ratings "Fitch".

a) Short-term debt ratings – (two of the following and not less than the following)

"A-1" or "SP-1"	Standard & Poor's Corporation (S&P)
"P-1" or "MIG 1/VMIG 1"	Moody's Investors Service, Inc. (Moody's)
"F1"	Fitch Ratings (Fitch)

Split ratings are not allowed, i.e. A-1/P-1/F2 or similar. An issuer of short-term debt must have no less than an "A" on long-term debt, if any.

b) Long-term debt ratings- (if separate short-term and long-term pools exist)
Investments purchased for short-term pools - shall be rated by at least two NRSROs and no less than "A" by any.

Investments purchased for long-term pools, such as the extended fund, – shall be rated by at least two NRSROs and no less than "AA" by any.

If an issuer of long-term debt has a short-term rating, then it may not be less than A-1/SP-1 or P-1/MIG1 or F1.

c) Counterparties
Repurchase Agreement counterparties shall have a minimum short-term rating, or counterparty rating, of no less than A-1 or equivalent by two NRSROs and have capital of no less than $500 million.

d) Credit Watch
Any issuer that has been placed on "Credit Watch-Negative" by a NRSRO will be removed from our approved list unless the following criteria are met:

The issuer has (a) an A-1+ or F1+ short-term rating; or (b) at least an AA or Aa2 long-term rating.

VIII. DIVERSIFICATION AND MATURITY RESTRICTIONS

It is the policy of the Treasurer to diversify the funds' 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 periodically reviewed.

1. AUTHORIZED INVESTMENTS:

Type of Investment	Cal Gov Code % of Funds Permitted	Orange County IPS	Cal Gov Code Maximum Final Maturity	Orange County IPS Maximum Final Maturity (Long-Term-Extended Fund)	Orange County IPS Maximum Final Maturity (Short-Term – Money Market Fund)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities	100%	100% Total, no more than 30% in one issuer	5 Years	5 Years	397 Days
Municipal Debt	100%	30% Total, no more than 5% in one issuer except 10%-County of Orange	5 Years	5 Years	397 Days
Medium-Term Notes	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days
Bankers Acceptances	40%, 30% of a single issuer	40% Total, no more than 5% in one issuer	180 Days	180 Days	180 Days
Commercial Paper	40%, 10% of a single issuer	40% Total, no more than 5% in one issuer	270 Days	270 Days	270 Days
Negotiable Certificates of Deposits	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days
Repurchase Agreements	100%	20% Total, no more than 10% in one issuer	1 Year	1 Year	1 Year
Investment Pools / Mutual Funds	20%, 10% in a single fund	20% Total, no more than 10% in one fund	N/A	N/A	N/A

2. ISSUER CONCENTRATION:

a). Only debt issued by firms listed on the Approved Issuer List may be purchased.

b). No more than 5% of any individual pool's total market value may be invested in securities of any one issuer. U.S. Treasury securities are exempt from this restriction.

No more than 30% of any individual pool's total market value may be invested in securities of any one U.S. Government Agency, or U.S. government-sponsored enterprise.

At the time of purchase, an individual pool may invest up to ten percent (10%) of its total market value in a single issuer for a period up to three business days only with approval of the Treasurer . The fund may not invest in the securities of more than one issuer under this provision at any time.

No more than 10% of any individual pool's total market value may be invested in any one Money Market Mutual Fund.

No more than 10% of an individual pool's market value may be invested in Repurchase Agreements of any one issuer.

3. **MATURITY**:

a) The weighted average maturity (WAM) of any Money Market Funds, on a dollar- weighted basis, shall not exceed 60 days.

b) The maximum maturity of any investment purchased will be five years and if short-term and long-term pools are used the following restrictions will apply:

Short-term - **Money Market Fund**	13 months (397 days)
Long-term - **Extended Fund**	5 years

c) For purposes of calculating final maturity, the earlier of final maturity date or mandatory put or tender option date will be used.

d) For purposes of calculating the weighted average maturity of the portfolio, the maturity of a variable-rate security will be considered its next interest rate reset date, if there is a reasonable expectation that the security will maintain an approximate value of par upon each adjustment of the security's interest rate at any time until final maturity.

4. **DURATION:**

a) The long-term pools, such as an extended fund, shall have duration not to exceed a leading 1-3 Year index +25%.

IX. PROHIBITED TRANSACTIONS

At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy Statement and with applicable provisions of the California Government Code, 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 Statement and cannot be cancelled without penalty **at time of purchase** must be documented and approved by the Treasurer in writing as soon as possible. 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.

1. The following transactions are prohibited:

a) Borrowing for investment purposes ("Leverage).

b) Reverse Repurchase Agreements, as defined by California Government Code Section 53601(j) (3) and (j) (4) or otherwise.

c) Structured Notes (e.g. inverse floaters, leveraged floaters, structured certificates of deposit, equity-linked securities, event-linked securities,). This includes all floating-rate, adjustable-rate or variable-rate securities in which a change in interest rates or other variables that can reasonably be foreseen to occur during their term would result in their market value not returning to par at the time of each interest rate adjustment.

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 of 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 the quality, maturity and percent limitations assigned to their respective security category, are exempt from this section.

d) **S**tructured Investment Vehicles (SIV).

e) Derivatives (e.g. options, futures, swaps, swap options, spreads, straddles, caps, floors, collars) shall be prohibited.

X. ETHICS AND CONFLICT OF INTEREST

The Treasurer and all persons involved in the investment process 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, broker dealers and vendors which conduct business with the County of Orange and shall disclose any material financial investment positions which could be related in a conflicting manner to the performance of the County of Orange's investment portfolio by filing Form 700 annually.

On May 10, 1993, the Orange County Board of Supervisors passed the "Orange County Gift Ban Ordinance" (see Exhibit A attached). This ordinance prohibits the receipt of specified gifts to "designated employees" including members of the Treasury Oversight Committee. All designated employees shall complete on an annual basis, the State of California Form 700, Statement of Economic Interests Disclosure. In addition, designated employees are subject to the State Gift Ban restrictions. Should any conflicts be disclosed, the Treasurer will resolve such matters as soon as practical.

For the purposes of this section, “designated employees” include the following employees of the Treasurer’s office: the Treasurer-Tax Collector, the Chief Assistant Treasurer-Tax Collector, the Assistant Treasurer-Tax Collectors, all Investment staff, all Financial/Credit Analysts, all Cash Managers, and all Accounting and Compliance staff. The Treasurer will review this list annually and shall submit any proposed changes to the Treasury Oversight Committee (TOC) as part of the IPS review.

XI. AUTHORIZED FINANCIAL DEALERS AND QUALIFIED INSTITUTIONS

A list of broker/dealers and financial institutions (Qualified Institutions) authorized to provide investment and/or depository services and products to the Treasurer shall be maintained. Any permitted investment, not purchased directly from an approved issuer, shall be purchased either from a “primary” or regional broker/dealer qualifying under SEC Rule 15c3-1(uniform net capital rule) or a “well capitalized” financial institution, as defined in Title 12 of the Code of Federal Regulations (CFR) Part 6.4. Qualified institutions must comply with the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board (Section 27133(c) which include prohibiting the selection of any broker, brokerage, dealer or securities firm that has made a contribution to the Treasurer, any member of the Board of Supervisors, or any candidate for those offices, within any consecutive 48 month period following January 1, 1996). A detailed questionnaire is required to be completed by securities dealers and financial institutions wishing to be approved. The Treasurer shall conduct an annual review of each Qualified Institution’s financial condition and registrations to determine whether it should remain on the approved list and require annual audited financial statements to be on file for each company. The County shall annually send a copy of the current investment policy to all Qualified Institutions approved to do business with the County and they shall notify the Treasurer’s office in writing of receipt and that they have read it.

XII. 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, the Pool Participants, the Chief Executive Officer, the Internal Audit Director, the Auditor-Controller 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. 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.

XIII. SAFEKEEPING

All security transactions, including collateral for repurchase agreements, entered into by the Treasurer shall be conducted on a delivery-versus-payment (DVP) basis. All investments shall have the County of Orange and the specific pool name as its registered owner.

All securities shall be held by a third party custodian designated by the Treasurer and approved by the Treasury Oversight Committee (does not apply to money market funds or investment pools). 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.

XIV. MAINTAINING THE PUBLIC TRUST

All participants in the investment process shall act as custodians of the public trust. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

XV. INTERNAL CONTROLS

The Treasurer shall establish a system of written internal controls, which will be reviewed annually with the County's independent (external) auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, and misrepresentation by third parties, unanticipated market changes or imprudent actions by employees of the Treasurer's Office. The Treasurer shall evaluate audit reports in a timely manner with the Treasury Oversight Committee. The quarterly audit reports of the Treasury shall be provided as required by California Government Code Section 26920-26922. Daily compliance of the investment portfolio shall be performed by the Treasurer's Compliance Division. Compliance will be determined on a fair market value basis. Cash held at the bank will not be included in the pool balance. All agreements, statements and trade packets will be subject to review annually by auditors in conjunction with their audit.

1. **INVESTMENT PROCEDURES:**
   The Treasurer shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this investment policy. Procedures will include reference to safekeeping, Master Repurchase Agreements, wire transfer agreements, collateral and depository agreements, banking service contracts, and other investment and banking related activities. Such procedures shall include explicit delegation of authority to personnel responsible for investment transactions.

   No investment personnel may engage in an investment transaction except as provided under terms of this policy and the procedures established by the County Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of all Treasury and Investment personnel.

XVI. COMPENSATION AGREEMENT

As authorized by California Government Code Section 27013, the Treasurer will charge all Pool Participants for administrative and overhead costs. Costs include, but are not limited to, portfolio management, bank and custodial fees, software maintenance fees, and other indirect costs incurred from handling or managing funds. In addition, the costs of compliance with the Treasury Oversight provisions of Government Code §27130-27137 shall be included as administrative costs. The Treasurer shall annually prepare a proposed budget revenue estimate, providing a detailed itemization of all estimated costs which comprise the administrative fee charged in accordance with California Government Code Section 27013. The Treasurer will be required to annually reconcile the estimated charges and actual costs incurred and adjust participant accounts accordingly.

Investment earnings and the above estimated fee charge will be allocated to the Pool Participants on at least a quarterly basis. As of the first working day of the following period, the Pool Participants' account will reflect the gross investment earnings and the estimated monthly administrative and overhead costs.

NOTE: The current administrative fee range is estimated to be between five and ten basis points. Please consult the Treasurer’s Monthly Investment Report for the most recent charge.

XVII. VOLUNTARY PARTICIPANTS

Should a local agency within Orange County, or a Joint Powers Agency (JPA) consisting of at least one public agency from within Orange County, not required by California law to deposit monies with the Treasurer desire entry into the Treasurer's Investment Pool, the agency shall comply with the requirements of Section 53684 of the California Government Code and provide to the Treasurer a resolution adopted by its governing board stating that excess funds are available for the purpose of investment. The resolution shall specify that the local agency authorizes the investment of excess funds pursuant to Section 53684, those persons authorized at the agency to coordinate the transactions, the agency's willingness to be bound by the withdrawal provisions of California Government Code Section 27136, and the agency's understanding that administrative charges will be deducted by the Treasurer as permitted by Sections 53684(b) and 27013. The Treasurer shall approve or disapprove such agency’s request in writing. Upon the Treasurer’s approval of voluntary participants to join the pool, the Treasurer will notify the Board of Supervisors within 5 days.

Monies deposited by local agencies approved for entry into the Treasurer’s Investment Pool will be invested in the Orange County Investment Pool and shall be invested by the Treasurer in accordance with the policies contained in the Orange County Treasurer Investment Policy, as now in effect and as may be revised from time to time. This agreement specifies the contractual terms and conditions by which the Treasurer will manage and invest Local Agency’s excess funds which have been deposited for investment with the Treasurer.

XVIII. WITHDRAWAL

Withdrawal of participant funds for the purpose of investing or depositing these funds outside the County treasury shall require prior written approval from the Treasurer or designee. The Treasurer shall thereafter review the withdrawal request consistent with his/her trust and fiduciary duties. Prior to approving or disapproving the withdrawal request, the Treasurer or designee shall make a finding of the effect on the stability and predictability of the investments and on the interests of the other depositors in the County treasury. (California Government Code Sections 27000.3, 27133(h), 27136, 53684(c))

XIX. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs, but focusing on preservation of capital and then liquidity as the most important objectives, with yield as the least important objective.

The Treasurer's investment strategy is to actively manage the portfolios to create less risk than a benchmark comparable index and to use economies of scale to invest and administer the program at a reasonable cost. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be the indices most comparable to the fund, such as money rate data published in Barron's, The Wall Street Journal, Bloomberg, etc. or other bond fund indices. The standards enumerated herein do not constitute a guarantee of the fund's performance.

XX. INVESTMENT POLICY REVIEW

This Investment Policy shall be reviewed on an annual basis by the Treasury Oversight Committee prior to being presented to, and annually reviewed and approved by the Board of Supervisors in an open session.

XXI. FINANCIAL REPORTING

The monthly Treasurer's Management Report and all compliance Audit Reports shall be provided to the Orange County Board of Supervisors, Chief Executive Officer, Chief Financial Officer, Internal Audit Director, Auditor-Controller, Treasury Oversight Committee and the director or director executive officer of any Local Agency who has investments in the County's Investment Funds as required by California Government Code Sections 53646 and 53686.

All reports filed by the Treasurer in accordance with California Government Code Section 53646 shall, among other matters, state compliance of the portfolio with the Investment Policy Statement, or the manner in which the portfolio is not in compliance. A statement will also be filed by the Treasurer in accordance with California Government Code 53646 (b) denoting the ability of each pool to meet its expenditure requirements for the next six months or provide an explanation of why sufficient money may not be available.

XXII. LEGISLATIVE CHANGES

Any State of California law that further restricts allowable maturities, investment type, percentage allocations, or any other provision of this Investment Policy Statement will, upon effectiveness, be incorporated into this Investment Policy Statement and supersede any and all previous applicable language.

XXIII. DISASTER RECOVERY PROGRAM

The Treasurer's Disaster Plan includes critical phone numbers and addresses of key treasury and investment personnel, as well as, currently approved bankers and broker/dealers. Three copies of the Disaster Plan for home, office and car have been distributed to key treasury and investment personnel. The plan provides for an offsite location to be communicated at the time of readiness if our offices are uninhabitable.

In the event the Treasurer or authorized staff is unable to invest the portfolio, the Treasurer has an agreement with the custodian for a daily sweep of all uninvested cash with the custody bank into an interest-bearing account. 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 Statement and would be required to be reported to the Board of Supervisors and Pool Participants in a timely manner.

XXIV. INVESTMENT POLICY ADOPTION:

By virtue of a resolution by the Board of Supervisors, the Board shall acknowledge the receipt and filing of this annual statement of investment policy for the respective fiscal year.

INVESTMENT POLICY
GLOSSARY

This Glossary is for general reference purposes only and does not constitute an exhaustive or exclusive list of terms and definitions applicable to this IPS. The definitions included herein do not modify any of the terms of this IPS or applicable law.

ACCRUED INTEREST: The amount of interest that is earned but unpaid since the last interest payment date.

ADJUSTABLE RATE NOTE: (See Floating Rate Note)

AGENCY SECURITIES: (See U.S. Government Agency Securities)

AMORTIZATION: The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

AVERAGE LIFE: The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

ASKED PRICE: The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): (See Receivable-Backed Securities)

BANKERS ACCEPTANCE (BA): A negotiable money market instrument issued primarily to finance international trade. These are time drafts in which a bank "accepts" as its financial responsibility to pay the principal at maturity even if the importer does not. In essence, these are bank obligations collateralized by goods being shipped between an exporter and an importer.

BASIS POINT: When a yield is expressed as 7.32%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID PRICE: The price at which a buyer offers to buy a security.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most money market securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). The owners of these securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment, plus accrued interest and amortization of any premium or discount.

BROKER: A broker brings buyers and sellers together and is compensated for his/her service.

CALLABLE BONDS: Bonds that may be redeemed by the issuing company prior to the maturity date.

CALL PRICE: The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

CALL RISK: The risk to a bondholder that a bond may be redeemed prior to maturity.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a capital asset.

CERTIFICATE OF DEPOSIT (CD or NCD): A deposit of funds at a bank for a specified period of time that earns interest at a specified rate. Commonly known as "CDs" or "negotiable CDs."

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public moneys.

COMMERCIAL PAPER (CP): Short-term unsecured promissory notes issued by corporations for maturities of 180 days or less.

CONSUMER RECEIVABLE-BACKED BONDS: (See Receivable-Backed Securities)

CONVEXITY: A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

CREDIT OUTLOOK: (See Rating Outlook)

CREDIT QUALITY: The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

CREDIT RISK: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CREDIT WATCH: indicates that a company's credit is under review and credit ratings are subject to change.

+ (positive)	Credit is under review for possible upgrade.
- (negative)	Credit is under review for possible downgrade.
Evolving/ Neutral	Credit is under review, direction uncertain.

COUPON: The rate at which a bond pays interest.

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.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE: A security whose interest rate of principal amount may vary and are determined by a market index or a combination of market indexes.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as **discount securities**. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: An investment principle designed to spread the risk in a portfolio by dividing investments among different sectors, industries and companies.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size of that investment.

DOMINION BOND RATING SERVICE, LTD: (see NRSRO)

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

FEDERAL FUNDS RATE: Interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. A target rate is set by the FOMC.

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.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 12 Federal Reserve banks and about 6,000 member banks.

FITCH, INC: (see NRSRO)

FIXED-INCOME SECURITIES: Securities that return a fixed income over a specified period.

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.).

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTERNAL CONTORLS: An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management.

INVESTMENT COMPANY ACT OF 1940: Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

LOCAL AGENCY: County, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

MARK TO THE MARKET: The market valuation for every security in a portfolio used in determining Net Asset Value (NAV).

MARKET RISK: The risk that changes in overall market conditions or interest rate may adversely affect current 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 between the parties of a repurchase agreement establishing each party's rights in all current and future transactions until termination of the contract by either party.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM TERM NOTES (MTN): Debt securities issued by a corporation or depository institution with a maturity ranging from nine months to five years. The term "medium-term note" refers to the time it takes for an obligation to mature, and includes other corporate debt securities originally issued for maturities longer than five years, but which have now fallen within the five year maturity range. MTNs issued by banks are also called "bank notes."

MONEY MARKET: The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invest in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC: (See Nationally Recognized Rating Services)

MUNICIPAL DEBT: Bonds, notes and other securities by public entities
NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies are the following: Standard & Poor's Corporation; Moody's Investor Services, Inc.; Fitch, Inc.; and Dominion Bond Rating Service, Ltd.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): A per-share valuation of a mutual fund based on total assets minus total liabilities.

NONCALLABLE: Bond that cannot be called at the option of the issuer.

OFFER PRICE: The price asked by a seller of securities.

PAR or PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a physical certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an individual or institutional investor.

PREMIUM: The difference between the par value of a bond and the market value of the bond, when the market value is above par.

PRICE RISK: The risk that the price of a bond sold prior to maturity will be less than the price at which the bond was originally purchased.

PRIMARY DEALER: One of 22 banks and securities brokerages authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York in its execution of Federal Open Market Operations.

PRIME RATE: The base rate that banks use in pricing commercial loans to their best and most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information of the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

RATING OUTLOOK: The potential direction of the credit rating assigned by a NRSRO for a specific company.

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

RECEIVABLE-BACKED SECURITIES: Securities collateralized with consumer receivables, such as automobile loans, credit card receivables, or home equity loans, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

RECEIVABLE PASS-THROUGH CERTIFICATE: A debt obligation that is backed by a portfolio of receivables, normally issued by a bank of financial institution. The interest and principal of the obligation is paid out of the cash flow generated by the receivables portfolio.

REGISTERED STATE WARRANT: A short-term obligation of a state governmental body issued in anticipation of revenue.

REPURCHASE AGREEMENT (RP OR REPO): The purchase of securities, on a temporary basis, with the seller's simultaneous agreement to repurchase the securities back at a later date at a specified price that includes interest for the buyer's holding period.

RULE 2a-7 OF THE INVESTMENT COMPANY ACT: Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13 month maturity limit and a 90 day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD: Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

SAFEKEEPING: Storage and protection of a customer's financial assets, valuables, or documents, provided as a service by an institution serving as Agent or Custodian and, where control is delegated by the customer.

SECURITIES & EXCHANGE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SINKING FUND: Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

STANDARD & POOR'S CORPORATION: (See Nationally Recognized Rating Services)

STRUCTURED INVESTMENT VEHICLE: A pool of investment assets that attempts to profit from credit spreads between short-term debt and long-term structured finance products such as asset-backed securities (ABS). Funding for SIVs comes from the issuance of commercial paper that is continuously renewed or rolled over; the proceeds are then invested in longer maturity assets that have less liquidity but pay higher yields. SIVs often employ great amounts of leverage to generate returns.

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period.

(Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U. S. GOVERNMENT AGENCY SECURITIES: Debt securities issued by U.S. Government sponsored enterprises and federally related institutions. These government agencies include: Federal Home Loan Banks (FHLB); Federal Home Loan Mortgage Corporation (FHLMC, or Freddie Mac); Federal National Mortgage Association (FNMA, or Fannie Mae); Federal Farm Credit Banks (FFCB); Resolution Trust Corporation (RTC); and Tennessee Valley Authority (TVA).

U.S. TREASURY SECURITIES: 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.

> **Treasury bills:** non-interest-bearing discount securities with maturities under one year issued by the U.S. Treasury to finance the national debt.
>
> **Treasury notes:** interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from date of issue.
>
> **Treasury bonds:** interest-bearing obligations issued by the U.S. Treasury with maturities that range from ten to thirty years from date of issue.

UNIFORM NET CAPITAL RULE: SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

VARIABLE RATE NOTE: (See Floating Rate Note)

VOLATILITY: A degree of fluctuation in the price and valuation of securities.

WEIGHTED AVERAGE MATURITY (WAM): The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

WHEN ISSUED (WI): A conditional transaction in which an authorized new security has not been issued. All “when issued” transactions are settled when the actual security is issued.
YIELD: The annual rate of return on a debt investment computed as though held to maturity expressed as a %.

YIELD TO CALL (YTC): The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

YIELD TO MATURITY (YTM): The rate of return earned on an investment considering all cash flows and timing factors: interest earnings, discounts, and premiums above par.

ZERO-COUPON BONDS/U.S. TREASURY STRIPS: A bond which represents ownership of a single coupon or principal payment due on a U.S. Treasury bond. Zeros or strips mature at face value at a specified date in the future and make no payments until that date. They always sell at a discount from face value.

APPENDIX G

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 Series 2013 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2013 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 Series 2013 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX H

TABLE OF ACCRETED VALUES
OF CAPITAL APPRECIATION BONDS

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX I

TABLE OF ACCRETED VALUES
OF CONVERTIBLE CAPITAL APPRECIATION BONDS

[THIS PAGE INTENTIONALLY LEFT BLANK]