PRELIMINARY OFFICIAL STATEMENT DATED APRIL 17, 2013

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

NEW ISSUE—FULL BOOK-ENTRY

RATINGS: Moody's: "Aa2"
S&P: "AA-"
(See "MISCELLANEOUS – Ratings" herein)

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

$27,000,000*
FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
(Orange and Los Angeles Counties, California)
2013 General Obligation Refunding Bonds

Dated: Date of Delivery **Due: August 1, as shown on inside cover**

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

The Fullerton Joint Union High School District (Orange and Los Angeles Counties, California) 2013 General Obligation Refunding Bonds in the aggregate principal amount of $27,000,000* (the "Bonds"), are being issued by the Fullerton Joint Union High School District (the "District") to advance refund certain outstanding general obligation bonds of the District and to pay the costs of issuing the Bonds.

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Boards of Supervisors of Orange County (the "County") and Los Angeles County are empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the Bonds will not receive certificates representing their interest in the Bonds. See "THE BONDS – Book-Entry Only System" herein.

The Bonds will be dated as of their date of delivery. Interest on the Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year (each, a "Bond Payment Date"), commencing August 1, 2013. The Bonds will be issued as fully registered Bonds in denominations of $5,000 principal amount or any integral multiple thereof.

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

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

Maturity Schedule*
(see inside front cover)

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

DE LA ROSA & CO.
INVESTMENT BANKERS

Dated: April __, 2013

* Preliminary, subject to change.

$27,000,000*
FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
(Orange and Los Angeles Counties, California)
2013 General Obligation Refunding Bonds

Base CUSIP†: 359796

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				

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

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

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

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

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

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

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

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

PROFESSIONAL SERVICES

Bond and Disclosure Counsel

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

Underwriter

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

Paying Agent, Registrar and Transfer Agent

U.S. Bank National Association
Los Angeles, California

Escrow Agent

U.S. Bank National Association
Los Angeles, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

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$27,000,000[*]
FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
(Orange and Los Angeles Counties, California)
2013 General Obligation Refunding Bonds

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of the Fullerton Joint Union High School District (Orange and Los Angeles Counties, California) 2013 General Obligation Refunding Bonds (the "Bonds").

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

The District

The Fullerton Joint Union High School District, located in Orange County (the "County"), with a small portion (approximately 8% of the District's assessed valuation) located in Los Angeles County (together, with the County, the "Counties") was organized in 1893 and serves grades nine through twelve. It serves a fifty-square-mile area that includes the elementary districts of Buena Park, Fullerton, La Habra and Lowell Joint. Six four-year comprehensive high schools are operated by the District – Buena Park, Fullerton, La Habra, Sonora, Sunny Hills, and Troy. La Vista High School, a continuation high school, and La Sierra High School, an alternative high school, also serve District students. Enrollment for the 2012-13 school year is expected to be approximately 14,582 students in grades 9 through 12. The District's projected average daily attendance for fiscal year 2012-13 is 13,932 and the total fiscal year 2012-13 assessed value of property within the District is $26,318,801,642.

The District is governed by a five-member Board of Trustees, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. George J. Giokaris, Ed.D. is the current Superintendent of the District. See "THE DISTRICT" herein.

Purpose of the Bonds

The Bonds are being issued to (i) advance refund the District's outstanding General Obligation Bonds, 2002 Election, Series B (the "Refunded Bonds") and (ii) pay the costs of issuing the Bonds. See "THE BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

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[*] Preliminary, subject to change.

Authority for Issuance of the Bonds

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

Sources of Payment for the Bonds

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

Description of the Bonds

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

Form and Registration. The Bonds will be issued in fully registered form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. See "THE BONDS – General Provisions" and "– Book-Entry Only System" herein. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution described herein. See "THE BONDS – Discontinuation of Book-Entry Only System; Payment to Beneficial Owners" herein.

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

Redemption.[*] The Bonds maturing on or after August 1, 2024 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, on August 1, 2023 or on any date thereafter as a whole, or in part. The Term Bonds are subject to mandatory sinking fund redemption as further described herein. See "THE BONDS – Redemption" herein.

Payments. Interest on the Bonds accrues from their initial date of delivery, and is payable semiannually on each February 1 and August 1 (each a "Bond Payment Date"), commencing August 1, 2013. Principal on the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof.

Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, as the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the beneficial owners of the Bonds.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and

[*] Preliminary, subject to change.

assuming compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. In addition, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond constitutes original issue discount, and the amount of original issue discount that accrues to the owner of the Bond is excluded from gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax. See "TAX MATTERS" herein.

Offering and Delivery of the Bonds

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

Bond Owner's Risks

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

Continuing Disclosure

The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. "Continuing Disclosure Certificate" shall mean that certain Continuing Disclosure Certificate relating to the disclosure of annual financial information and notices of certain events executed by the District as of the date of issuance and delivery of the Bonds, as they may be amended from time to time in accordance with their terms. See "LEGAL MATTERS – Continuing Disclosure" herein, "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

Forward Looking Statements

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY

SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Certain matters will be passed on for the Underwriter by Nossaman, LLP, Irvine, California. Causey Demgen & Moore P.C. will serve as Verification Agent.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of documents referred to herein and information concerning the Bonds are available from the Fullerton Joint Union High School District, 1051 West Bastanchury Road, Fullerton, California 92833, Telephone: (714) 870-2800. The District may impose a charge for copying, mailing and handling.

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

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

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

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

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of the Government Code of the State of California (the "Act") and other applicable law, and pursuant to a resolution adopted by the Board of Trustees of the District on April 16, 2013 (the "Resolution").

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Boards of Supervisors of the Counties are empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be placed by the County in the District's Debt Service Fund (defined herein), which is segregated and held by the County and which shall be used for the payment of principal of and interest on the Bonds when due. Although the Counties are obligated to levy *ad valorem* taxes for the payment of the Bonds, and the County will hold the Debt Service Fund to be used for the repayment of the Bonds, the Bonds are not a debt of the County.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same becomes due and payable, shall be transferred to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants for subsequent disbursement to the Beneficial Owners of the Bonds.

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

General Provisions

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

Interest with respect to the Bonds accrues from their date of delivery (the "Date of Delivery"), and is payable semiannually on February 1 and August 1 of each year (each a "Bond Payment Date"), commencing August 1, 2013. Interest on the Bonds will be computed on the basis of a 360-day year of twelve, 30-day months. Each Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 16^{th} day of the calendar month immediately preceding any Bond Payment Date and on or prior to the succeeding Bond Payment Date, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2013, in which event it will bear interest from its dated date; provided, however, that if, at the time of authentication of any Bond, interest is in default on any outstanding Bonds, such Bond will bear interest from the Bond Payment Date to which interest has previously been paid or made available for payment on the outstanding Bonds. The Bonds will be issued in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1, in the years and amounts set forth on the inside cover page hereof.

Payment of interest on any Bond on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Owner of such Bond (an "Owner" or "Bondowner") thereof as of the close of business on the 15^{th} day of the month immediately preceding any Bond Payment Date (the "Record Date"), such interest to be paid by check mailed to such Owner on the Bond Payment Date, at his address as it appears on such registration books or at such other address as he may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner in an aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal and redemption premiums, if any, payable on the Bonds are payable upon maturity or earlier redemption, as applicable, upon surrender at the principal office of the Paying Agent. The interest, principal and redemption premiums, if any, on the Bonds are payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered owner of the Bonds. See "THE BONDS – Book-Entry Only System" herein.

Annual Debt Service

The following table summarizes the annual debt service requirements of the District for the Bonds:

Year Ending (August 1)	Principal Payment	Interest Payment[1]	Total Annual Debt Service
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
Total			

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

See "DISTRICT FINANCIAL INFORMATION – District Debt Structure" herein for a full debt service schedule including all of the District's outstanding general obligation bond debt.

Application and Investment of Bond Proceeds

The Bonds are being issued to advance refund the Refunded Bonds and pay the costs of issuing the Bonds.

The net proceeds from the sale of the Bonds shall be paid to U.S. Bank National Association, acting as escrow agent (the "Escrow Agent"), to the credit of the "Fullerton Joint Union High School District 2013 General Obligation Refunding Bonds Escrow Fund" (the "Escrow Fund"). Pursuant to an escrow agreement (the "Escrow Agreement") by and between the District and the Escrow Agent, an amount deposited in the Escrow Fund will be used to purchase certain Federal Securities (as such term is defined in the Resolution) the principal of and interest on which will be sufficient, together with any monies deposited in the Escrow Fund and held as cash, to enable the Escrow Agent to pay the principal of and interest on the Refunded Bonds due on and prior to August 1, 2015, and to redeem on such date the remaining outstanding principal of the Refunded Bonds, at a redemption price equal to 100% of the principal amount thereof. Amounts on deposit in the Escrow Fund are not available to pay debt service on the Bonds.

The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, to refund on the Refunded Bonds, as described above, will be verified by Grant Thornton LLP as the Verification Agent. See "LEGAL MATTERS – Escrow Verification" herein. As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the Underwriter's and Verification Agent's computations, the Refunded Bonds will no longer be deemed outstanding and the obligation of the County to levy ad valorem taxes for payment thereof will terminate.

Any accrued interest and surplus moneys in the Escrow Fund, when received by the District from the sale of the Bonds or following the redemption of the Refunded Bonds, shall be kept separate and apart in a fund designated as the "Fullerton Joint Union High School District 2013 General Obligation Refunding Bonds Debt Service Fund" (the "Debt Service Fund"), to be held by the County and used only for payment of principal of and interest on the Bonds. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. If, after payment in full of the Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District.

Moneys in the Debt Service Fund are authorized to be invested in any one or more investments generally permitted to school districts under the laws of the State of California or as permitted by the Resolution. Moneys in the Debt Service Fund are expected to be initially invested through the Orange County Educational Investment Pool. See "ORANGE COUNTY EDUCATIONAL INVESTMENT POOL" herein.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2023* are not subject to redemption prior to their fixed maturity dates. The Bonds maturing on or after August 1, 2024* may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on August 1, 2023* or on any date thereafter, at a redemption price equal to the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

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

Redemption Date (August 1)	Principal Amount to be Redeemed

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

* Preliminary, subject to change.

Notice of Redemption. Notice of any redemption of Bonds will be mailed, postage-prepaid, not less than 20 nor more than 60 days prior to the redemption date (i) to the Registered Owners thereof at the addresses appearing on the bond registration books of the Paying Agent, (ii) to the Securities Depository described below, and (iii) to one or more of the Information Services described below. Notice of redemption to the Securities Depository and the Information Services will be given by registered mail, facsimile transmission or overnight delivery service. Each notice of redemption will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

With respect to any notice of optional redemption of Bonds described above, unless upon the giving of such notice such Bonds will be deemed to have been defeased pursuant to the Resolution, such notice will state that redemption is conditional upon the receipt by the Paying Agent (or an independent escrow agent selected by the District) on or prior to the date fixed for such redemption of the moneys necessary and sufficient to pay the principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that if such moneys are not so received said notice will be of no force and effect, the Bonds will not be subject to redemption on such date and the Bonds will not be required to be redeemed on such date. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter give notice, to the persons to whom and in the manner in which the notice of redemption was given, that such moneys were not so received. In addition, the District has the right to rescind any notice of redemption, by written notice to the Paying Agent on or prior to the date fixed for redemption. The Paying Agent will distribute notice of rescission of such notice in the same manner that the notice was originally provided.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; Mergent Inc., 585 Kingsley Park Drive, Fort Mill, South Carolina 29715, Attention: Called Bond Department; and Standard and Poor's J.J. Kenny Information Services' "Called Bond Record," 55 Water Street, 45th Floor, New York, New York 10041.

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

The actual receipt by an Owner of any Bond or by any Information Service or Securities Depository of notice of such redemption will not be a condition precedent to redemption, and failure to receive such notice nor shall any defect in such notice affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest thereon on the date fixed for redemption.

The notice or notices required for redemption will be given by the Paying Agent or its designee. A certificate by the Paying Agent that notice of call and redemption has been given to Owners of Bonds and to the appropriate Securities Depository and Information Services shall be conclusive as against all parties, and no Bondowner whose Bond is called for redemption may object thereto or object to the cessation of interest on the fixed redemption date by any claim or showing that said Bondowner failed to actually receive such notice of call and redemption.

Payment of Redeemed Bonds**.** When notice of redemption has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is set aside for that purpose in the Debt Service Fund, as described below, the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the notice of redemption with the form of assignment endorsed thereon executed in blank, said Bonds will be redeemed and paid at the redemption price thereof out of the Debt Service Fund. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

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

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.

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

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

Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from 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.

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

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

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

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

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

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in Los Angeles, California. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least $1,000,000 in aggregate principal amount, interest shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

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

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the 16th day of the month preceding each Bond Payment Date to such Bond Payment Date or from the sixteenth day next preceding a date for which such Bond has been selected for redemption in whole or in part.

Defeasance

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

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

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

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

"Government Obligations" means direct and general obligations of the United States of America or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or "prerefunded" municipal obligations rated in the highest rating category by Moody's Investors Service or Standard & Poor's. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by either Standard & Poor's or by Moody's Investors Service.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds
Net Original Issue Premium

Total Sources

Uses of Funds

Deposit to Escrow Fund
Costs of Issuance(1)

Total Uses

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(1) Reflects all costs of issuance, including but not limited to the Underwriter's discount, demographics and filing fees, printing costs, legal fees, the costs and fees of the Paying Agent and Escrow Agent, and fees of the Verification Agent. See "MISCELLANEOUS – Underwriting" herein.

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL

The following information concerning the Pool (defined herein) has been provided by the Treasurer-Tax Collector of Orange County and has not been confirmed or verified by either the District or the Underwriter. Further, neither the District nor the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The County Board of Supervisors (the "County Board") approved the current County Investment Policy Statement (the "Investment Policy") on January 8, 2013 (see 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 County 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 a third goal of achieving 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 County 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 County 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 February 28, 2013, the Pool has a weighted average maturity of 278 days and the year-to-date net yield is 0.33%.

The following represents the composition of the Orange County Educational Investment Pool as of February 28, 2013:

Type of Investment	Market Value (In thousands)	% of Pool
Municipal Debt	$60,386	2.09%
U.S. Government Agencies	2,354,737	81.67
U.S. Treasuries	168,389	5.84
Commercial Paper	14,997	0.52
Certificates of Deposit	127,267	4.41
Medium-Term Notes	57,032	1.98
Money Market Mutual Funds	100,486	3.49
Total	$2,883,294	100.00%

The District, Financial Advisor and Underwriters have not made an independent investigation of the investments in the Pool and neither has made an assessment of the current County Investment Policy. The value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the Treasury Oversight Committee and the County Board of Supervisors may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described herein.

TAX BASE FOR REPAYMENT OF BONDS

Ad Valorem Property Taxation

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

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

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

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

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

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

Assessed Valuations

The assessed valuation of property in the District is established by the tax assessing authority for the county in which such property is located, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full cash value" of the property, as defined in Article XIIIA of the California Constitution. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein. Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Property within the District has a total assessed valuation for fiscal year 2012-13 of $26,318,801,642. The following represents the 10-year history of assessed valuations in the District.

ASSESSED VALUATIONS
Fiscal Year 2003-04 through 2012-13
Fullerton Joint Union High School District

Orange County Portion

	Local Secured	Utility	Unsecured	Total Before Rdv. Increment
2003-04	$15,295,835,703	$9,581,664	$1,081,270,976	$16,386,688,343
2004-05	16,862,101,773	10,954,204	1,070,585,917	17,943,641,894
2005-06	18,503,883,689	10,323,551	1,045,151,549	19,559,358,789
2006-07	20,387,005,848	8,989,100	1,149,550,141	21,545,545,089
2007-08	22,056,917,533	2,977,946	1,176,263,652	23,235,159,131
2008-09	22,756,533,926	2,963,074	1,238,010,290	23,997,507,290
2009-10	22,374,339,563	11,005,779	1,254,554,340	23,639,899,682
2010-11	22,389,162,483	4,771,032	1,269,999,663	23,663,933,178
2011-12	22,565,625,512	2,963,074	1,194,884,891	23,763,473,477
2012-13	22,958,149,189	836,490	1,142,083,124	24,101,068,803

Los Angeles County Portion

	Local Secured	Utility	Unsecured	Total Before Rdv. Increment
2003-04	$1,497,889,502	$113,476	$10,030,407	$1,508,033,385
2004-05	1,606,456,891	141,597	10,146,843	1,616,745,331
2005-06	1,757,010,290	132,075	10,973,531	1,768,874,492
2006-07	1,969,417,923	108,588	10,291,356	1,979,817,867
2007-08	2,096,111,816	--	13,065,995	2,109,177,811
2008-09	2,179,763,274	--	16,687,096	2,196,450,370
2009-10	2,162,140,946	--	18,596,326	2,180,737,272
2010-11	2,098,407,766	423,363	12,147,943	2,110,979,072
2011-12	2,146,601,960	423,363	11,937,357	2,158,962,680
2012-13	2,205,724,258	423,363	11,585,218	2,217,732,839

Total District

	Local Secured	Utility	Unsecured	Total Before Rdv. Increment
2003-04	$16,793,725,205	$9,695,140	$1,091,301,383	$17,894,721,728
2004-05	18,468,558,664	11,095,801	1,080,732,760	19,560,387,225
2005-06	20,261,652,575	10,455,626	1,056,125,080	21,328,233,281
2006-07	22,356,423,771	9,097,688	1,159,841,497	23,525,362,956
2007-08	24,152,029,349	2,977,946	1,189,329,647	25,344,336,942
2008-09	24,936,297,200	2,963,074	1,254,697,386	26,193,957,660
2009-10	24,536,480,509	11,005,779	1,273,150,666	25,820,636,954
2010-11	24,487,570,249	5,194,395	1,282,147,606	25,774,912,250
2011-12	24,712,227,472	3,386,437	1,206,822,248	25,922,436,157
2012-13	25,163,873,447	1,259,853	1,153,668,342	26,318,801,642

Source: California Municipal Statistics, Inc.

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

Appeals and Adjustments of Assessed Valuations

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

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

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

Assessed Valuation and Parcels by Land Use

The following table is an analysis of the District's secured assessed valuation by land use.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2012-13
Fullerton Joint Union High School District

Non-Residential:	2012-13 Assessed Valuation [1]	% of Total	No. of Parcels	% of Total
Agricultural/Rural	$1,587,459	0.01%	64	0.09%
Commercial/Office	3,021,600,507	12.01	3,168	4.54
Vacant Commercial	123,721,807	0.49	588	0.84
Industrial	2,948,355,628	11.72	1,127	1.62
Vacant Industrial	47,088,518	0.19	139	0.20
Recreational	32,807,079	0.13	56	0.08
Government/Social/Institutional	95,691,174	0.38	247	0.35
Miscellaneous	20,830,103	0.08	422	0.61
Subtotal Non-Residential	$6,291,682,275	25.00%	5,811	8.34%
Residential:				
Single Family Residence	$16,301,052,985	64.78%	53,854	77.26%
Condominium/Townhouse	880,249,213	3.50	6,199	8.89
Mobile Home	20,001,752	0.08	701	1.01
Mobile Home Park	58,424,870	0.23	26	0.04
2+ Residential Units	1,353,666,192	5.38	2,149	3.08
Miscellaneous Residential	12,567,749	0.05	79	0.11
Vacant Residential	246,228,411	0.98	890	1.28
Subtotal Residential	$18,872,191,172	75.00%	63,898	91.66%
Total	$25,163,873,447	100.00%	69,709	100.00%

[1] Local secured assessed valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation Per Parcel of Single Family Homes

The following table is an analysis of the District's assessed valuation per parcel of single family homes for fiscal year 2012-13.

ASSESSED VALUATION PER PARCEL OF SINGLE FAMILY HOMES
Fiscal Year 2012-13
Fullerton Joint Union High School District

	No. of Parcels	2012-13 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	53,854	$16,301,052,985	$302,690	$266,000

2012-13 Assessed Valuation	No. of Parcels [(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	1,491	2.769%	2.769%	$62,052,896	0.381%	0.381%
$50,000 - $99,999	7,501	13.928	16.697	546,709,086	3.354	3.734
$100,000 - $149,999	4,272	7.933	24.630	530,263,950	3.253	6.987
$150,000 - $199,999	5,335	9.906	34.536	940,469,655	5.769	12.757
$200,000 - $249,999	6,326	11.747	46.283	1,421,133,662	8.718	21.475
$250,000 - $299,999	6,031	11.199	57.481	1,656,298,278	10.161	31.636
$300,000 - $349,999	5,825	10.816	68.298	1,891,877,660	11.606	43.241
$350,000 - $399,999	4,543	8.436	76.733	1,695,466,912	10.401	53.642
$400,000 - $449,999	2,839	5.272	82.005	1,199,780,334	7.360	61.003
$450,000 - $499,999	1,892	3.513	85.518	896,383,312	5.499	66.501
$500,000 - $549,999	1,681	3.121	88.640	881,399,165	5.407	71.908
$550,000 - $599,999	1,412	2.622	91.262	809,002,544	4.963	76.871
$600,000 - $649,999	1,092	2.028	93.289	680,304,687	4.173	81.045
$650,000 - $699,999	874	1.623	94.912	589,111,468	3.614	84.659
$700,000 - $749,999	702	1.304	96.216	507,108,424	3.111	87.770
$750,000 - $799,999	484	0.899	97.114	373,778,557	2.293	90.063
$800,000 - $849,999	373	0.693	97.807	307,156,182	1.884	91.947
$850,000 - $899,999	288	0.535	98.342	251,336,133	1.542	93.489
$900,000 - $949,999	208	0.386	98.728	191,912,131	1.177	94.666
$950,000 - $999,999	146	0.271	98.999	142,052,746	0.871	95.537
$1,000,000 and greater	539	1.001	100.000	727,455,203	4.463	100.000
Total	53,854	100.000%		$16,301,052,985	100.000%	

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

Assessed Valuation by Jurisdiction

The following table shows the assessed valuation by jurisdiction in fiscal year 2012-13 in the District.

ASSESSED VALUATION BY JURISDICTION[(1)]
Fiscal Year 2012-13
Fullerton Joint Union High School District

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction[(1)]	% of Jurisdiction in School District
City of Anaheim	$66,735,223	0.25%	$35,896,658,193	0.19%
City of Brea	518,630,851	1.97	7,179,774,942	7.22
City of Buena Park	4,343,239,792	16.50	7,602,927,022	57.13
City of Fullerton	13,597,989,738	51.67	14,946,853,107	90.98
City of La Habra	4,857,042,662	18.45	4,857,042,662	100.00
City of La Palma	574,328,195	2.18	1,718,006,977	33.43
Unincorporated Orange County	143,102,342	0.54	21,332,071,633	0.67
City of La Habra Heights	1,059,428,099	4.03	1,156,188,431	91.63
City of La Mirada	4,143,803	0.02	5,063,120,343	0.08
City of Whittier	554,820,084	2.11	7,328,348,758	7.57
Unincorporated Los Angeles County	599,340,853	2.28	84,156,194,531	0.71
Summary by County:				
Los Angeles County	$2,217,732,839	8.43%	$1,088,622,723,328	0.20
Orange County	24,101,068,803	91.57	$427,831,772,926	5.63
Total District	$26,318,801,642	100.00%		

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

Tax Levies, Collections and Delinquencies

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

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

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

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy and collect all property taxes, and prescribed how levies on county-wide property values (except for levies to support prior voter-approved indebtedness) are to be shared with local taxing entities within each county.

The following table shows the secured tax charges and delinquencies for taxes collected by the County from all property in the District from 2007-08 through 2011-12.

SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2007-08 through 2011-12
Fullerton Joint Union High School District
(Orange County Portion)

Tax Year	Secured Tax Charge[(1)]	Amount Delinquent June 30[(1)]	Percent Delinquent June 30
2007-08	$40,932,887.23	$1,676,647.39	4.10%
2008-09	40,711,701.67	1,520,570.27	3.73
2009-10	39,364,479.37	937,032.72	2.38
2010-11	39,618,509.85	668,517.29	1.69
2011-12	39,714,927.69	592,108.90	1.49

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

Alternative Method of Tax Apportionment - Teeter Plan

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

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

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

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

Los Angeles County has not adopted a Teeter Plan. Therefore, with respect to collections due from portions of the District located in Los Angeles County, such levy is subject to actual collections and delinquencies.

Typical Tax Rates

The following table summarizes the total *ad valorem* tax rates levied by all taxing entities in two typical tax rate areas within the District during the period from fiscal year 2007-08 to fiscal year 2012-13.

SUMMARY OF *AD VALOREM* TAX RATES
Fiscal Years 2007-08 through 2012-13
Fullerton Joint Union High School District

Typical Total Tax Rates per $100 of Assessed Valuation (TRA 3-003 - 2012-13 Assessed Valuation: $4,858,990,960)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
General	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Fullerton School District	.02442	.02400	.02556	.02692	.02410	.02660
Fullerton High School District	.01346	.01431	.01529	.01820	.01300	.01579
North Orange Community College	.01502	.01493	.01662	.01758	.01742	.01902
Metropolitan Water District	.00450	.00430	.00430	.00370	.00370	.00350
Total	1.05740	1.05754	1.06177	1.06640	1.05822	1.06491

Source: California Municipal Statistics, Inc.

Principal Taxpayers

The following table lists the 20 largest local secured taxpayers in the District in terms of their 2012-13 secured assessed valuations:

20 LARGEST LOCAL SECURED TAXPAYERS
2012-13 Assessed Valuations
Fullerton Joint Union High School District

	Property Owner	Primary Land Use	2012-13 Assessed Valuation	% of Total[1]
1.	La Habra Associates LLC	Commercial	$88,965,057	0.35%
2.	Alticor Inc.	Industrial	86,193,921	0.34
3.	Realty Associates Fund IX LP	Commercial	84,225,461	0.33
4.	CVS Pharmacy Inc.	Industrial	79,934,084	0.32
5.	Corecare III	Apartments	79,782,149	0.32
6.	Rreef America REIT II Corp.	Industrial	78,882,414	0.31
7.	Prologis California I LLC	Industrial	72,238,752	0.29
8.	LBA Realty Fund-Holding Co. II LLC	Commercial	63,799,932	0.25
9.	PRI Buena Park Industrial CA LLC	Industrial	63,277,319	0.25
10.	La Habra Westridge Partners LP	Commercial	61,735,288	0.25
11.	SFERS Real Estate Corp. RR	Industrial	58,899,944	0.23
12.	Amerige Heights Apartments LLC	Apartments	57,752,477	0.23
13.	Beckman Instruments Inc.	Industrial	56,097,386	0.22
14.	Breitburn Energy Partners LP	Oil & Gas	55,802,756	0.22
15.	PK I Fullerton Town Center LP	Commercial	55,017,875	0.22
16.	CPT Parkside LP	Apartments	54,467,070	0.22
17.	Fullerton Metro Center LLC	Commercial	50,654,840	0.20
18.	Granite Amerige LP	Commercial	46,581,505	0.19
19.	EQR-City Pointe LP	Apartments	44,395,800	0.18
20.	Costco Wholesale Corporation	Commercial	41,882,650	0.17
			$1,280,586,680	5.09%

(1) 2012-13 Local Secured Assessed Valuation: $25,163,873,447.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and effective as of March 1, 2013, for debt issued as of March 1, 2013. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column 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 the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The table includes reference to the District's $2,050,000 Community Facilities District No. 2005-1 Special Tax Bonds. The bonds are secured by special taxes levied against the land to pay for certain school improvements.

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STATEMENT OF DIRECT AND OVERLAPPING DEBT
Fullerton Joint Union High School District

2012-13 Assessed Valuation: $26,318,801,642

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/13
Los Angeles County Flood Control District	0.210%	$41,517
Metropolitan Water District	1.253	2,068,515
North Orange County Joint Community College District	26.548	56,651,839
Fullerton Joint Union High School District	**100.000**	**53,552,910**(1)
Buena Park School District	100.000	8,862,137
Fullerton School District	100.000	37,805,458
La Habra City School District	100.000	18,514,264
City of Anaheim	0.186	4,845
Fullerton School District Community Facilities Districts	100.000	16,875,000
Fullerton Joint Union High School District Community Facilities District No. 2005-1	100.000	1,785,000
City of Fullerton Community Facilities District No. 1	100.000	19,040,000
City of La Habra Community Facilities District No. 1990-1	100.000	1,540,000
City of La Habra Heights Citywide Assessment District	91.631	888,821
Los Angeles County Regional Park and Open Space Assessment District	0.204	291,455
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$217,921,761

DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Orange County General Fund Obligations	5.633%	$12,061,718
Orange County Pension Obligations	5.633	19,837,581
Orange County Board of Education Certificates of Participation	5.633	901,280
Los Angeles County General Fund Obligations	0.204	3,552,328
Los Angeles County Superintendent of Schools Certificates of Participation	0.204	21,170
Municipal Water District of Orange County Water Facilities Corporation	2.925	293,524
Los Angeles County Sanitation District No. 18 Authority	3.955	631,575
North Orange County Regional Occupation Program Certificates of Participation	24.989	2,728,799
Fullerton Joint Union High School District Certificates of Participation	**100.000**	**22,255,000**
Fullerton School District Certificates of Participation	100.000	6,620,000
City of Anaheim General Fund Obligations	0.186	1,002,684
City of Brea Civic/Cultural Center Authority	7.223	1,241,634
City of Fullerton General Fund Obligations	90.976	19,919,696
City of La Habra General Fund Obligations	100.000	19,025,000
City of La Mirada General Fund Obligations	0.082	10,049
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$110,102,038
Less: Los Angeles County obligations supported by landfill revenues		34,064
MWDOC Water Facilities Corporation (100% supported)		293,524
City supported obligations		17,705,937
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$92,068,513
OVERLAPPING TAX INCREMENT DEBT		$160,268,658
GROSS COMBINED TOTAL DEBT		$488,292,457(2)
NET COMBINED TOTAL DEBT		$470,258,932

Ratios to 2012-13 Assessed Valuation:
Direct Debt ($53,552,910).. 0.20%
Total Direct and Overlapping Tax and Assessment Debt 0.83%
Combined Direct Debt ($75,807,910) 0.29%
Gross Combined Total Debt 1.86%
Net Combined Total Debt.. 1.79%

Ratios to Redevelopment Incremental Valuation ($4,134,860,559):
Total Overlapping Tax Increment Debt 3.88%

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIIIA of the California Constitution

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

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

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

Legislation Implementing Article 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 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

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

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

Unitary Property

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

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

Article XIIIB of the California Constitution

Article XIIIB ("Article XIIIB") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines:

(a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance ("ADA") of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service such as the Bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the State legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that fifty percent of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "– Propositions 98 and 111" herein.

Proposition 26

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

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID (respectively, "Article XIIIC" and "Article XIIID"), 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 Counties 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.

Propositions 98 and 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changed State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of returned to taxpayers, transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year is automatically increased by the amount of such transfer. These additional moneys enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which can be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

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

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("Proposition 111") which further modified Article XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which was expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, schools will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capital personal income. Under Test 3, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per $100,000 of taxable property value projected to be levied as the result of any single election be no more than $60 (for a unified school district), $30 (for a high school or elementary school district), or $25 (for a community college district). These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Jarvis v. Connell

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

Proposition 30

On November 6, 2012, voters of the State of California approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $608,000 for joint filers).

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

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 will be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

State Cash Management Legislation

Since 2002, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice has included deferring certain apportionments from one fiscal year to the next. Legislation enacted with respect to fiscal year 2012-13 provides for additional inter-fiscal year deferrals.

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

As in the prior fiscal years, AB 103 provides for an exemption to the 2012-13 Cash Management Deferrals for a school district that would be unable to meet its expenditure obligations if its State apportionments are delayed. The District, however, has not applied for nor received an exemption from any of the 2012-13 Cash Management Deferrals. In the event any of the Cash Management Deferrals are implemented, the State Controller, State Treasurer and State Director of Finance are required to review, as necessary but no less than monthly, the actual State general fund cash receipts and disbursements in comparison to the Governor's most recent revenue and expenditure projections. If the Controller, Treasurer and Director of Finance determine that sufficient cash is available to pay the State apportionments being deferred while maintaining a prudent cash reserve, such State apportionments are required to be paid as soon as feasible. AB 103 authorizes the Cash Management Deferrals to be accelerated or delayed by up by one month, except that the March 2013 deferral must be paid no later than April 29, 2013.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 39, 98, 22, 26 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

State Budget

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

2012-13 Budget. On June 27, 2012, the Governor signed into law the State budget for fiscal year 2012-13. Prior to the conclusion of the State's regular legislative session, the Legislature adopted a series of trailer bills which made various amendments to the budget bill approved by the Governor. Collectively, the budget bill and related trailer bills are referred to as the "2012-13 Budget." The LAO has released a report entitled "California Spending Plan," which summarizes provisions of the 2012-13 Budget (the "LAO Budget Summary"). The following information is drawn from the LAO Budget Summary.

The 2012-13 Budget seeks to close a budget gap of $15.7 billion through a combination of measures totaling $16.4 billion. Specifically, the 2012-13 Budget authorizes $4.7 billion of expenditure reductions, $8.8 billion of net revenue increases, and $5.8 billion of other measures. The 2012-13 Budget assumed voter approval of a modified tax initiative proposed by the Governor in his May revision to the proposed State budget. The tax initiative, labeled as "Proposition 30," was approved by the voters at the November 6, 2012 general election. The 2012-13 Budget estimates that Proposition 30 will generate approximately $8.5 billion in additional revenues for fiscal years 2011-12 and 2012-13. Pursuant to the provisions of Proposition 30, these additional revenues will be placed into an Education Protection Account and included in the calculation of the Proposition 98 minimum funding guarantee. As a result, the minimum funding guarantee is projected to increase by $2.9 billion, resulting in a net benefit to the State general fund of $5.6 billion. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 30."

With the implementation of all measures, the 2012-13 Budget assumes, for fiscal year 2011-12, total revenues of $86.8 billion and expenditures of $87.0 billion. The State is projected to end fiscal year 2011-12 with a total budget deficit of $3.6 billion. For the current fiscal year, the 2012-13 Budget projects total revenues of $95.9 billion and authorizes total expenditures of $91.3 billion. This represents an increase of $9 billion, or approximately 10%, from the prior year. The State is projected to end the 2012-13 fiscal year with a total budget surplus of $948 million.

The 2012-13 Budget authorized an additional $6 billion of trigger reductions which were to become effective in the event Proposition 30 did not pass. The trigger reductions would have included approximately $5.4 billion of reductions to school and community college funding.

For fiscal year 2011-12, the Proposition 98 minimum funding guarantee is revised at $46.9 billion, including $33.1 billion from the State general fund. This amount is approximately $1.7 billion less than the level set by the State budget for fiscal year 2011-12. This reduction primarily reflects lower than estimated State general fund revenues and updated estimates of local property tax collections, offset by Proposition 30 revenues attributable to fiscal year 2011-12. To bring ongoing Proposition 98 funding in line with the reduced funding guarantee, the 2012-13 Budget redirects $893 million of fiscal year 2011-12 appropriations towards other uses. Specifically, (i) $672 million is counted towards meeting legal settlement obligations under the Quality Education Investment Act of 2006, and (ii) $221 million replaces ongoing Proposition 98 funds with one-time funds unspent from prior years. The LAO notes that this accounting adjustment does not affect the amount of funding schools and community colleges receive.

For fiscal year 2012-13, the Proposition 98 minimum funding guarantee is set at $53.5 billion, including $36.8 billion from the State general fund. This funding level reflects an increase of $6.6 billion, or approximately 14%, from the prior year. The funding increase is supported by a $3.7 billion growth in baseline revenues and $2.9 billion of Proposition 30 revenues.

Proposition 98 funding for K-12 education for fiscal year 2012-13 is set at $47.2 billion, reflecting an increase of $6 billion (or 14%) above the revised 2011-12 level. Programmatic spending remains relatively flat, as most of the additional funding is designated for existing Proposition 98 obligations. The 2012-13 Budget provides that $3.3 billion will be used to backfill one-time spending decisions made in fiscal year 2011-12, and $2.2 billion will be designated to pay down existing apportionment deferrals. The LAO also notes that other spending increases will have no net programmatic effect. The 2012-13 Budget provides $110 million to more closely align K-12 and community college educational mandate funding, $99 million to complete the shift in responsibility for mental health services from county health agencies to schools, and $60 million for anticipated student growth in a few categorical programs.

Significant features relating to K-12 education funding include the following:

- *Deferral Reduction.* The 2012-13 Budget provides $2.2 billion in Proposition 98 funding to reduce school district and community college apportionment deferrals.

- *Charter Schools*. The 2012-13 Budget includes several changes to existing law that provide charter schools with additional access to facility space and short-term cash. The plan includes provisions that give charter schools priority to lease or purchase surplus school district property, and authorizes county offices of education and county treasurers to provide short-term loans to charter schools. Charter schools are further authorized to issue their own tax and revenue anticipation notes or have their respective county office of education issue such notes on their behalf.

- *Educational Mandates*. The 2012-13 Budget provides $167 million to fund a discretionary block grant for K-12 educational mandates. Participating school districts and county offices of education would receive a $28 per-unit of ADA allocation, while participating charter schools would receive a $14 per-unit of ADA allocation. In addition, county offices of education are to receive a $1 per-unit of ADA allocation for all ADA served within their respective counties. Local educational agencies that choose not to participate in this block grant program could continue to seek reimbursement for mandated activities through the existing claims process, subject to audits by the State Controller. The 2012-13 Budget continues to suspend the same educational mandates that were suspended by the 2011-12 State budget legislation, and does not eliminate any further mandates.

- *Child Care and Preschool Programs*. The 2012-13 Budget provides $2.2 billion in funding for subsidized child care and preschools programs. This represents a decrease of $185 million, or 8%, from the prior year. The 2012-13 Budget also consolidates the State's subsidized preschool program by funding all part-day/part-year preschool slots within Proposition 98. The LAO notes that this consolidation is an accounting change, with no programmatic effect.

- *Gubernatorial Vetoes*. As part of approving the enacting legislation, the Governor vetoed (i) all funding for the Early Mental Health Initiative, for an expected savings of $15 million, (ii) $10 million in Proposition 98 funding for child nutrition in private schools and child care centers, and (iii) $8.1 million in one-time Proposition 98 funding for the support of regional activities and statewide administration of the Advancement Via Individual Determination program.

The 2012-13 Budget assumes that schools and community colleges will receive $3.2 billion in revenues in fiscal year 2012-13 resulting from the dissolution of redevelopment agencies, including $2.5 billion for school districts and $165 million for county offices of education. This figure is composed of (i) $1.7 billion of anticipated residual property tax revenues and (ii) $1.5 billion in unencumbered cash and other assets of former redevelopment agencies. These increased revenues would offset Proposition 98 spending by an identical amount. The budget package also establishes a series of sanctions and incentives to encourage successor agency participation with redevelopment dissolution laws. The LAO notes that while the State currently backfills school districts if local property taxes fall short of budgetary assumptions, there has previously been no similar requirement for community colleges and K-12 special education. The 2012-13 Budget provides authority for the State to do so if the sums anticipated from the dissolution of redevelopment agencies do not meet such assumptions.

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

Fiscal Outlook Report. In November 2012, the LAO released a summary of its revised projections for State general fund tax revenues and related spending (the "Fiscal Outlook Report"). The following information is drawn from the Fiscal Outlook Report.

The Fiscal Outlook Report provides the LAO's projections of the State's general fund revenues and expenditures for fiscal years 2012-13 through 2017-18 under current law, absent any actions to close the projected State budgetary deficit, as further discussed below. The LAO's projections primarily reflect current-law spending requirements and tax provisions, while relying on the LAO's independent assessment of the outlook for the State's economy, demographics, revenues, and expenditures. The LAO notes that its revenue estimates take into account a number of voter initiatives approved at the November 2012 general election, including Proposition 30.

Absent corrective action, the LAO projects that the State will end the 2012-13 fiscal year with a $943 million deficit. This would eliminate the $948 million surplus projected by the 2012-13 Budget, and reflects an overall $1.9 billion budgetary gap. This gap is a product of (i) $625 million of lower revenue estimates for fiscal years 2011-12 and 2012-13, (ii) $2.7 billion in higher expenditures and (iii) an offsetting positive adjustment of $1.4 billion to the fiscal year 2010-11 ending fund balance.

The LAO notes that its revised revenue estimates are driven primarily by lower than anticipated personal income tax and corporate tax collections (totaling $153 million and $558 million, respectively) for both fiscal years 2011-12 and 2012-13. Notwithstanding the overall reduction in projected revenues, the LAO notes that the passage of Proposition 39 at the November 2012 general election—which changes the way multistate corporations calculate taxable income—contributes to an increase in the Proposition 98 minimum funding guarantee. The LAO's revised minimum funding guarantee is estimated to be $53.8 billion.

The LAO's projected increase results in part from lower expected savings to the State general fund from the distribution of redevelopment agency assets. The LAO projects a $1.4 billion savings from such assets, a figure approximately $1.8 billion lower than the savings projected by the 2012-13 Budget. The LAO attributes this to several factors: (i) lower than expected distributions of liquid assets and residual property taxes to school and community colleges, (ii) recent information suggesting that redevelopment agencies had higher than anticipated debt, and (iii) distributions of property taxes to basic aid districts that do not offset State education costs. The LAO notes, however, that estimates relating to redevelopment agencies are subject to considerable uncertainty, and are likely to change prior to the deadline for adopting the State budget for the upcoming year.

Additional information regarding the Fiscal Outlook Report may be obtained from the LAO at www.lao.ca.gov. However, such information is not incorporated herein by any reference.

Proposed 2013-14 Budget. On January 10, 2013, the Governor released his proposed State budget for fiscal year 2013-14 (the "Proposed Budget"). The following information is drawn from the LAO's summary of the Proposed Budget.

The Proposed Budget reflects a projected improvement to State finances due to a continuing modest economic recovery, prior budgetary actions, and voter approval of certain revenue-raising measures at the November 6, 2012 general election. For fiscal year 2012-13, the Proposed Budget currently projects year-end revenues of $95.4 billion and expenditures of $93 billion. The State is currently expected to end the current fiscal year with a surplus of $167 million. For fiscal year 2013-14, the Proposed Budget projects revenues of $98.5 billion and expenditures of $97.7 billion. The State is projected to end fiscal year 2013-14 with a $1 billion surplus. The Governor's multi-year forecast projects that revenues will continue to exceed expenditures annually, accumulating to a projected $2.5 billion general fund surplus by fiscal year 2016-17.

For fiscal year 2012-13, the Proposed Budget revises the Proposition 98 minimum funding guarantee at $53.5 billion, approximately $54 million less than the level set by the current State budget. To bring Proposition 98 spending in line with the reduced guarantee, the Proposed Budget reclassifies a fiscal year 2012-13 appropriation towards prefunding legal settlement obligations under the Quality Education Investment Act of 2006 (the "QEIA"). For fiscal year 2013-14, the minimum funding guarantee is set at $56.2 billion, including $40.9 billion from the State general fund. This represents a net increase of $2.7 billion (or 5%) over the revised funding level for fiscal year 2012-13. The increase in spending is driven largely by year-to-year increases in baseline State revenues and the minimum funding guarantee's share of Proposition 30 revenues.

Proposition 98 funding for K-12 education in fiscal year 2013-14 is set at $49.2 billion, including $36.1 billion from the State general fund. This represents an increase of approximately $2.1 billion (or 4%) from the prior year. Significant features include the following:

- *Deferral Reduction.* The 2012-13 Budget provides $1.9 billion to pay down school district and community college apportionment deferrals. The Proposed Budget includes a plan to eliminate all remaining apportionment deferrals by fiscal year 2016-17.

- *Growth Funding.* The 2012-13 Budget provides $63 million to fund a 1.65% cost-of-living adjustment to certain categorical programs, including special education, child nutrition, and California American Indian Education Centers. Cost-of-living adjustments for school district and county office of education revenue limits would be provided through the proposed funding increase designed to implement a new K-12 funding formula (described below). The Proposed Budget also funds a 0.10% increase in K-12 ADA, but assumes no increase in funded enrollment levels at community colleges.

- *Local Control Funding Formula.* The Proposed Budget would significantly restructure State funding for K-12 education by consolidating revenue limits and almost all categorical programs into a single funding formula. This formula would provide a base funding grant per pupil, with supplemental funding for school districts that serve English learners and students from low income families, provide lower class sizes in grades K-3, or offer career technical education classes in high school. The Proposed Budget allocates $1.6 billion to begin increasing funding levels to a target base rate, with supplemental grants adjusted in tandem with the base increase. The Proposed Budget estimates the new formula will be fully implemented by fiscal year 2019-20.

- *Energy Efficiency Projects.* The 2012-13 Budget allocates supplemental corporate tax revenues raised by Proposition 39 (approved at the November 2012 general election) to schools and community colleges. Proposition 39 requires most interstate businesses to determine their taxable income using a single sales factor method, and provides that all revenues raised from the measure be transferred to a Clean Energy Job Creation Fund to support energy efficiency and alternative energy projects. The Proposed Budget would allocate all Proposition 39-related funding over the next five years exclusively to schools and community colleges, in an amount equal to $450 million in fiscal year 2012-13 and $550 million annually thereafter. For fiscal year 2013-14, this would include $400.5 million for school districts. Under the proposal, the California Department of Education and California Community College Chancellor’s Office, in consultation with the California Energy Commission and California Public Utilities Commission, would develop guidelines for schools and community colleges in prioritizing the use of the funds.

- *Adult Education.* The Proposed Budget includes several changes to adult education funding, including narrowing State support to core instructional programs such as adult elementary and secondary education, vocational training, English as a second language, and citizenship. The Proposed Budget would also eliminate school district adult education categorical programs and consolidate the associated funding (approximately $600 million) into the proposed new K-12 funding formula. Adult education, under the Governor’s plan, would be funded entirely through the community college system. The Proposed Budget would provide $300 million to create a new adult education categorical program within the statewide community college budget. Funds would be distributed to colleges based on the number of students served in the prior fiscal year. While community colleges would be responsible for administering adult education, they would be authorized to contract with school districts to provide instruction through the latter's adult schools.

- *K-12 Educational Mandates.* The Proposed Budget provides $100 million to augment the existing block grant program, reflecting the addition of two large educational mandates within the program: the Graduation Requirements ("GR") mandate and Behavioral Intervention Plans ("BIP"). Unlike other mandates included in the block grant program, the Proposed Budget does not provide school districts the option to submit independent claims for reimbursement in connection with GR and BIP.

- *Retiring K-14 Obligations.* The Proposed Budget would use half of the projected year-to-year growth in Proposition 98 spending in fiscal years 2013-14 through 2015-16 to reduce outstanding obligations to schools and community colleges, including the reduction of all apportionment deferrals, funding settle-up payments to reduce outstanding mandate claims, and retiring the State's obligations associated with the Emergency Repair Program and the QEIA.

- *Redevelopment Agency Funds.* The Proposed Budget assumes lower State general fund savings from the distribution of offsetting residual property tax revenues and unencumbered redevelopment agency assets. For the current year, the Proposed Budget projects that redevelopment-related distributions will be $1.1 billion less than what was assumed by the State budget for fiscal year 2012-13. For fiscal year 2013-14, the Proposed Budget projects that such distributions will be $494 million less than previously assumed. The LAO notes that, while the Governor's projections are reasonable, the process for dissolving redevelopment agencies has yet to be fully implemented, subjecting associated State general fund savings projections to considerable uncertainty.

Additional information regarding the Proposed Budget is available from the LAO's website: www.lao.ca.gov. However, such information is not incorporated herein by any reference.

Recent Litigation Regarding State Budgetary Provisions. On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the County of San Francisco (the "CSBA Petition"). The petitioners allege that the fiscal year 2011-12 State budget improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the minimum funding guarantee of approximately $2.1 billion. The CSBA Petition seeks an order from the Court compelling the State Director of Finance, Superintendent of Public Instruction and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution. On May 31, 2012, the court denied the CSBA Petition, finding that Proposition 98 does not prohibit the State from assigning sales tax revenues to a special fund that previously were deposited into the State general fund. The court also found that, upon doing so, the State was not required to rebench the minimum funding guarantee. On July 27, 2012, the petitioners filed a notice of appeal of the court's decision.

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

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

THE DISTRICT

The information in this section concerning the operations of the District and the District's finances are provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable only from the revenues generated by an ad valorem *tax levied by the Counties on properties within the District for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

Introduction

The Fullerton Joint Union High School District, primarily located in the County, with a small portion (approximately 8% of the District's assessed valuation) located in Los Angeles County, was organized in 1893 and serves grades nine through twelve. It serves a fifty-square-mile area that includes the elementary districts of Buena Park, Fullerton, La Habra and Lowell Joint. Six four-year comprehensive high schools are operated by the District – Buena Park, Fullerton, La Habra, Sonora, Sunny Hills, and Troy. La Vista High School, a continuation high school, and La Sierra High School, an alternative high school, also serve District students. Enrollment for the 2012-13 school year is expected to be approximately 14,582 students in grades 9 through 12. The District's projected average daily attendance for fiscal year 2012-13 is 13,932 and the total fiscal year 2012-13 assessed value of property within the District is $26,318,801,642.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of subsequent audited financial reports of the District may be obtained at the District's website's Business Services Division page under "Annual Financial Report," or by contacting: Fullerton Joint Union High School District, Attention: Ron Lebs, Assistant Superintendent, Business Services.

Administration

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

BOARD OF TRUSTEES
Fullerton Joint Union High School District

Name	Office	Term Expires
Marilyn Buchi	President	December 2014
Robert N. Hathaway	Member	December 2014
Barbara Kilponen	Member	December 2016
Andy Montoya	Member	December 2016
Robert A. Singer, Ph.D.	Clerk	December 2014

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Currently, George J. Giokaris, Ed.D. is the Superintendent of the District. Brief biographies of the Superintendent and the Assistant Superintendent, Business Services follow:

George J. Giokaris, Ed.D., Superintendent. Dr. Giokaris currently serves as Superintendent of the District. Dr. Giokaris was appointed as Superintendent in February 2004, and his career in the District has spanned almost 30 years. He has been actively involved in all aspects of the District's educational programs and operations, including technology, human resources, contract negotiations, curriculum and instructional improvement, health insurance, budget development and oversight, and facility improvement. Dr. Giokaris earned a bachelor's degree at Stanford University, a secondary teaching credential at UCLA, a master's degree at California State University, Fullerton, and a doctorate in educational leadership at the University of Southern California.

Ron Lebs, Assistant Superintendent, Business Services. Mr. Lebs has been the Assistant Superintendent, Business Services since February 2012. Prior to arriving at the District, he served as the Deputy Superintendent, Business Services at Capistrano Unified School District for over three years and the Business Manager/Chief Business Official at Sylvan Union School District in Modesto, California for over seven years. Mr. Lebs has over 16 years of experience in school business administration. He received a Bachelor of Science in Business Administration from California State University San Luis Obispo in 1983.

Labor Relations

As of March 1, 2013, the District employed 606 full-time equivalent certificated employees, 326 full-time equivalent classified employees, 45 management employees, and 15 supervisory and confidential employees. These employees, except management, supervisory, confidential and some part-time employees, are represented by two bargaining units as noted below:

LABOR RELATIONS
Fullerton Joint Union High School District

Labor Organization	Number of Employees in Organization	Contract Expiration Date
California State Employees Association	382	June 30, 2013
Fullerton Secondary Teachers Organization	599	June 30, 2015[1]

(1) A tentative agreement was reached on March 21, 2013, pending approval by the Board of Trustees and ratification by the Fullerton Secondary Teachers Organization.
Source: The District.

Retirement Programs

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

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

The District's contribution to STRS was $5,252,876 for fiscal year 2009-10, $5,105,963 for fiscal year 2010-11, and $5,080,058 for fiscal year 2011-12. The District has budgeted $5,048,112 as its contribution to STRS for fiscal year 2012-13.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The District is currently required to contribute to PERS at an actuarially determined rate, which is 11.417% of eligible salary expenditures for fiscal year 2011-12, while participants contribute 7% of their respective salaries.

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

The District's contribution to PERS was $1,929,927 for fiscal year 2009-10, $1,953,180 for fiscal year 2010-11, and $1,855,207 for fiscal year 2011-12. The District has budgeted $2,123,797 as its contribution to PERS for fiscal year 2012-13.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS.

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

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

[(1)] Amounts may not add due to rounding.
[(2)] Reflects market value of assets as of June 30, 2011.
[(3)] Reflects actuarial value of assets as of June 30, 2011.
Source: CalPERS State & Schools Actuarial Valuation; CalSTRS Defined Benefit Program Actuarial Valuation.

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

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employee's Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary; (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for STRS members who retire with 25 years of service); and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for members not participating in social security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

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.

Other Post-Employment Benefits

The District provides certain post-retirement healthcare benefits, in accordance with District employment contracts, to certificated, classified, management and administrative employees who retire from the District at ages 55, 56, or 57 with at least 15 years of service, except for employees hired prior to July 1, 2011, for whom 10 years minimum service are required. The benefits consist of health insurance benefits (medical, prescription drug, vision and dental) and are provided to eligible retirees up to age 65. Classified employees with at least 75% full-time equivalency are eligible for full, un-prorated healthcare benefits upon meeting the age and service requirements for retirement. Certificated employees must have at least 50% full-time equivalency to be eligible. The District contributes 100% of the amount of premiums incurred by retirees and their dependents. As of June 30, 2012, membership consisted of 91 retirees and beneficiaries currently receiving benefits, and 958 active plan members not yet receiving benefits.

Governmental Accounting Standards Board ("GASB") Statement Number 45 ("GASB 45") requires accrual accounting for the expensing of other post-employment benefits ("OPEBs") 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. OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. The District implemented GASB 45 in Fiscal Year 2007-08.

The District currently funds post-employment on a pay as you go basis in an amount sufficient to pay the current year's retiree claim costs and plan expenses. For Fiscal Year 2011-12, the District paid $1,099,133 to the plan, all of which was used for current premiums. The District has not established an irrevocable trust to prefund its OPEB liability. However, as an initial step in defraying the costs associated with this liability, the District has established a separate fund (Fund 20 – Special Reserve Fund for Post-employment Benefits) into which $7.8 million has been deposited and set-aside, and is available for other expenses.

The most recent actuarial valuation of the District's retiree health insurance benefits reported that, as of March 1, 2012, the District had an accrued unfunded liability of $23,688,155. As of June 30, 2012, a change to an accrual funding method in accordance with GASB 45 would have required an annual required contribution for the fiscal year ending of such date of $3,054,257. However, as indicated above, the District currently intends to continue on a pay-as-you-go basis.

These benefits, the District's current annual required contribution and net OPEB obligation are described in Note 11 to the District's financial statements attached hereto as Appendix B.

Participation in Joint Powers Authorities

The District is self-insured for general liability, commercial property, workers' compensation and certain employee medical benefits claims, and has obtained insurance coverage through a combination of commercial insurance and intergovernmental risk pooling. The District participates in a joint venture under a joint powers agreement with the Alliance of Schools for Cooperative Insurance Programs (ASCIP), the Schools' Excess Liability Fund (SELF), and the Metropolitan Employee Benefits Association (MEBA) public entity risk pools.

The District also participates in a joint venture under a joint power agreement with North Orange County Regional Occupational Program (NOCROP). The relationships between the District and these entities are such that they are not component units of the District for financial reporting. 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 the District's financial statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2012, the District made payments of $646,590, $35,025, and $14,960,471 to ASCIP, SELF, and MEBA, respectively, for its health and welfare and excess liability coverage.

DISTRICT FINANCIAL INFORMATION

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

State Funding of Education

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

Annual State apportionments of basic and equalization aid to school districts are computed based on a revenue limit per unit of average daily attendance ("A.D.A."). School districts that can improve their actual attendance rate will receive additional funding.

Generally, these apportionments of basic and equalization aid amount to the difference between a district's revenue limit and its property tax allocation. The revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

The following table shows the District's average daily attendance, deficited revenue limit per A.D.A., and enrollment for the last five years, as well as projected figures for fiscal year 2012-13.

AVERAGE DAILY ATTENDANCE, REVENUE LIMIT, AND ENROLLMENT
Fiscal Years 2007-08 through 2012-13
Fullerton Joint Union High School District

Fiscal Year	Average Daily Attendance[1]	Deficited Revenue Limit Per A.D.A.[2]	Enrollment[3]
2007-08	14,518	$6,684	16,489
2008-09	14,611	6,509	16,304
2009-10	14,120	5,758	15,098
2010-11	14,012	6,016	14,710
2011-12	14,109	5,953	14,760
2012-13[4]	13,932	6,107	14,582

Note: All amounts are rounded to the nearest whole number.
(1) Except for fiscal year 2012-13, reflects average daily attendance as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. Data based on state legislation which reconfigured Average Daily Attendance to represent actual attendance without regard to excused absences.
(2) The State's practice of deficit revenue limit funding, which reduced the amount of revenue limit funds received by school districts, was eliminated effective in fiscal year 2000-01, reinstated beginning in fiscal year 2003-04, eliminated again effective in fiscal year 2006-07, and reinstated again in fiscal year 2008-09.
(3) Enrollment as of October CBEDS in each school year.
(4) Projected.
Source: The District.

Revenue Sources

Major revenue sources of the District are described below.

Revenue Limit Sources. As described above, funding of the District's revenue limit is provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amount to the difference between the District's revenue limit and its local property tax revenues.

Certain schools districts, known as "basic aid" districts, have local property tax collections of such a large magnitude that, when compared to the district's total revenue limit, result in the receipt of the minimum State aid of $120 per pupil. This amount is defined in the State's constitution as basic aid. The implication for basic aid districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District is not a basic aid district.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy and collect all property taxes, and prescribed how levies on county wide property values (except for levies to support prior voter-approved indebtedness) are to be shared with local taxing entities within each county.

The revenue limit sources constituted approximately 65.3% of general fund revenues in fiscal year 2010-11, 65% of such revenues in fiscal year 2011-12, and are budgeted to be 70.7% of such revenues in fiscal year 2012-13.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as the No Child Left Behind Act, Drug Free Schools, and the free and reduced lunch program. The federal revenues, most of which are restricted, constituted approximately 5.1% of general fund revenues in fiscal year 2010-11, 7.0% of such revenues in fiscal year 2011-12, and are budgeted to be 4.0% of such revenues in fiscal year 2012-13.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives some other State revenues. These other State revenues are primarily restricted revenues funding items such as the Class Size Reduction Program, Economic Impact Aid, mandated cost reimbursements and instructional materials, among others. Other State revenues constituted approximately 19.9% of general fund revenues in fiscal year 2010-11, 18.4% of such revenues in fiscal year 2011-12, and are budgeted to be 16.7% of such revenues in fiscal year 2012-13.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as leases and rentals, interest earnings, interagency services, and other local sources. Other local revenues constituted approximately 9.7% of general fund revenues in fiscal year 2010-11, 9.6% of such revenues in fiscal year 2011-12, and are budgeted to be 8.5% of such revenues in fiscal year 2012-13.

State Lottery. In the November 1984 general election, the voters of the State approved a constitutional amendment establishing a State lottery (the "State Lottery"), the net revenues of which are used to supplement money allocated to public education. This amendment stipulated that the funds derived from the State Lottery be used for the education of students and prohibited their use for noninstructional purposes, such as the acquisition of real property, the construction of facilities or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instructional material. State Lottery net revenues - gross revenues less prizes and administration expenses - are allocated by computing an amount per A.D.A., which is derived by dividing the total net revenues figures by the total A.D.A. for grades K-12, community colleges, the University of California system and other participating educational institutions. Each district receives an amount equal to its total A.D.A. multiplied by the per A.D.A. figure. Allocations to the District in were approximately 1.84% of general fund revenues in fiscal year 2011-12 and are budgeted to be approximately 1.83% of such revenues in 2012-13.

Redevelopment Pass-Through Payments. The District receives pass-through payments ("Pass-Through Payments") from seven former Redevelopment Agencies pursuant to three contractual and 24 statutory pass-through entitlements. While Redevelopment Agencies were dissolved on February 1, 2012 pursuant to ABX1 26, all assets and obligations of former Redevelopment Agencies were transferred to Successor Agencies (typically the City that created the former RDA), and authority to pay pass-through obligations was specifically assigned to the County Auditor-Controller. The County Auditor-Controller now makes all pass-through payments.

The following table shows the facilities portion of Pass-Through Payments owed to the District from fiscal years 2007-08 through 2013-14.

FACILITIES PORTION OF PASS-THROUGH PAYMENTS
Fiscal Years 2007-08 through 2013-14
Fullerton Joint Union High School District

Fiscal Year	Total Revenues
2007-08[1]	$573,965
2008-09[1]	655,055
2009-10[1]	659,803
2010-11[1]	645,253
2011-12[1]	648,981
2012-13[1]	673,133

(1) Amounts reflect facilities portion of pass-throughs owed to District based on actual assessed value for each fiscal year.
Source: Public Economics, Inc.

Based on currently available information and working relationships with Successor Agencies and the County Auditor-Controller, the District anticipates that it will continue receiving Pass-Through Payments in future years and has budgeted the projected facilities portion of Pass-Through Payments in its multiple-year budget projection. However, the District can make no representations that Pass-Through Payments will continue to be received by the District in amounts currently projected, which will depend on actual future growth rates in assessed values as well as how ABX1 26 is implemented in the future. See "DISTRICT FINANCIAL INFORMATION – Dissolution of Redevelopment Agencies."

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 year 2007-08 through fiscal year 2012-13.

DEVELOPER FEES
Fiscal Years 2007-08 through 2012-13
Fullerton Joint Union High School District

Year	Total Revenues
2007-08	$351,446
2008-09	169,854
2009-10	121,585
2010-11	106,848
2011-12	536,107
2012-13[1]	275,000

(1) Projected.
Source: The District.

Budget Process

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

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

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

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

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

The District received “qualified” certifications on all Interim Financial Reports pursuant to A.B. 1200 from Fiscal Year 2010-11 through the Second Interim Financial Report of Fiscal Year 2012-13.

General Fund Budget

The District’s general fund adopted budgets for fiscal years 2009-10 through 2012-13, general fund actual results for the fiscal years 2009-10 through 2011-12, and estimated actual results for fiscal year 2012-13 are set forth in the table on the following page.

COMPARISON OF GENERAL FUND BUDGETS AND ACTUAL RESULTS
Fiscal Years 2009-10 through 2012-13
Fullerton Joint Union High School District

	Adopted Budget 2009-10[1]	Audited Actuals 2009-10[1]	Adopted Budget 2010-11[1]	Audited Actuals 2010-11[1]	Adopted Budget 2011-12[1]	Audited Actuals 2011-12[1]	Adopted Budget 2012-13[2]	Projected Actuals 2012-13[3]
REVENUES:								
Revenue limit sources	$88,414,329	$84,749,227	$81,309,343	$86,126,889	$85,950,661	$85,529,512	$86,082,631	$86,067,703
Federal sources	13,790,952	8,863,568	4,888,729	6,643,957	7,883,752	9,153,980	4,904,414	5,426,390
Other State sources	18,627,109	33,317,053	22,263,082	26,306,775	20,167,764	24,156,754	20,345,887	21,213,076
Other local sources	13,117,396	15,562,893	10,863,008	12,919,129	10,068,263	12,750,695	10,341,197	12,311,995
Total Revenues	$133,949,786	$142,492,741	$119,324,162	$131,996,750	$124,070,440	$131,590,941	$121,674,129	$125,019,164
EXPENDITURES:								
Current								
Certificated salaries	63,540,243	63,442,334	62,610,629	62,251,112	63,392,092	61,500,052	62,402,895	61,496,285
Classified salaries	21,055,185	20,184,945	19,041,284	18,242,085	18,588,014	18,061,673	18,511,869	18,448,733
Employee benefits	27,055,947	30,049,858	27,664,671	30,291,357	27,184,590	30,357,977	28,419,091	27,851,858
Books & supplies	4,442,516	4,804,000	3,671,713	3,785,759	3,928,643	4,185,101	3,786,173	4,459,701
Services & other operating expenditures	9,722,465	10,428,580	11,494,749	10,509,481	11,338,650	9,860,771	10,518,690	11,306,139
Capital outlay	47,333	288,319	--	171,803	179,000	135,245	144,500	87,581
Other outgo	7,801,358	9,393,064	7,651,891	8,435,212	8,746,241	7,809,171	8,582,019	8,920,009
Transfers of Indirect/Direct Support	--	--	--	--	--	--	(51,311)	(51,357)
Debt service - principal	--	100,147	116,246	116,246	--	--	--	--
Debt service - interest	--	227,684	546,924	546,924	--	663,168	--	--
Total Expenditures	133,665,047	138,898,931	132,798,107	134,349,979	133,357,230	132,874,158	132,313,926	132,518,949
Excess (Deficiency) Of Revenues Over Expenditures	284,739	3,593,810	(13,473,945)	(2,353,229)	(9,286,790)	(1,283,217)	(10,639,797)	(7,499,785)
Other Financing Sources (Uses):								
Transfers in	801,177	1,035,260	825,177	1,754,847	825,177	--	805,177	805,177
Transfers out	(2,672,858)	(11,867)	--	(1,716,291)	(805,177)	--	--	(41,333)
Net Financing Sources (Uses)	(1,867,681)	1,023,393	825,177	38,556	20,000	--	805,177	763,844
NET CHANGE IN FUND BALANCE	(1,582,942)	4,617,203	(12,648,768)	(2,314,673)	(9,266,790)	(1,283,217)	(9,834,620)	(6,735,941)
Fund Balance, Beginning	21,665,193	21,655,193	26,272,396[4]	41,386,181[5]	39,071,508	39,071,508	19,405,628[4]	22,401,328[4]
Fund Balance, Ending	$20,072,251	$26,272,396[4]	$13,623,628[4]	$39,071,508[5]	$29,804,718[5]	$37,788,291[5]	$9,571,008[4]	$15,665,387[4]

(1) Figures from the District's comprehensive audited financial statements, comparing the original budget as adopted in June of the prior fiscal year to audited actuals.
(2) Figures from the District's 2012-13 original adopted budget, as adopted by the Board on June 26, 2012.
(3) Figures from the District's Second Interim Financial Report, as adopted by the Board on March 18, 2013.
(4) Does not include amounts from the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits. These funds are consolidated into the general fund when calculating the audited actuals, as required by GASB Statement No. 54's reporting requirements.
(5) Reflects the consolidation of the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits into the general fund, as required by GASB Statement No. 54's reporting requirements.
Source: The District.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Comparative Financial Statements

The table on the following page reflects the District's general fund revenues, expenditures and fund balances for fiscal years 2007-08 through 2011-12.

AUDITED GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
Fiscal Years 2007-08 through 2011-12[(1)]
Fullerton Joint Union High School District

	Audited Actuals 2007-08	Audited Actuals 2008-09	Audited Actuals 2009-10	Audited Actuals 2010-11	Audited Actuals 2011-12
REVENUES:					
Revenue limit sources	$97,391,373	$95,129,522	$84,749,227	$86,126,889	$85,529,512
Federal sources	5,177,245	12,283,920	8,863,568	6,643,957	9,153,980
Other State sources	29,955,261	19,571,657	33,317,053	26,306,775	24,156,754
Other local sources	14,439,354	12,973,983	15,562,893	12,919,129	12,750,695
Total Revenues	$146,963,233	$139,959,082	$142,492,741	$131,996,750	$131,590,941
EXPENDITURES:					
Current:					
Instruction	79,534,108	82,415,861	80,243,719	79,513,628	78,986,091
Instruction-related activities:					
Supervision of instruction	2,221,268	2,735,205	1,512,866	1,141,703	1,569,783
Instructional library, media and technology	1,971,517	2,168,352	2,315,539	1,603,889	1,512,451
School site administration	9,610,925	9,885,366	10,105,976	9,145,514	9,028,232
Pupil services:					
Home-to-school transportation	3,831,731	3,414,970	2,656,814	3,029,135	2,860,482
Food services	7,653	7,465	4,510	17,158	16,800
All other pupil services	9,127,644	9,538,632	10,230,821	10,233,450	10,695,388
General administration:					
Data processing	1,120,720	1,046,081	1,741,046	844,313	810,174
All other general administration	5,971,495	5,997,510	5,283,016	5,122,318	4,932,398
Plant services	14,716,412	14,437,199	13,937,039	13,396,408	13,019,326
Facility acquisition and construction	83,038	69,069	18,671	8,250	5,369
Ancillary services	462,035	483,261	521,841	586,958	508,272
Community services	621,515	602,577	590,552	596,423	399,753
Other (outgo)	9,845,337	8,815,200	9,408,690	8,447,662	7,866,469
Debt service					
Principal	97,924	87,896	100,147	116,246	--
Interest and other	63,410	49,414	227,684	546,924	663,170
Total Expenditures	139,286,732	141,754,058	138,898,931	134,349,979	132,874,158
Excess (Deficiency) of Revenues Over Expenditures	--	--	3,593,810	(2,353,229)	(1,283,217)
Other Financing Sources (Uses):					
Transfers In	1,312,279	2,156,583	1,035,260	1,754,847	--
Transfers Out	(4,165,405)	(1,828,013)	(11,867)	(1,716,291)	--
Net Financing Sources (Uses)	(2,853,126)	(328,570)	1,023,393	38,556	--
NET CHANGE IN FUND BALANCES	4,823,375	(1,466,406)	4,617,203	(2,314,673)	(1,283,217)
Fund Balance, Beginning	18,298,224	23,121,599	21,655,193	41,386,181[(3)]	39,071,508[(3)]
Fund Balance, Ending	$23,121,599	$21,655,193[(2)]	$26,272,396[(2)]	$39,071,508	$37,788,291

(1) For budgeted general fund revenues, expenditures and changes in fund balance for fiscal year 2012-13, see " – General Fund Budget" above.
(2) Does not include amounts from the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits. These funds are consolidated into the general fund when calculating the audited actuals, as required by GASB Statement No. 54's reporting requirements.
(3) Reflects the consolidation of the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits into the general fund, as required by GASB Statement No. 54's reporting requirements.
Source: The District.

Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* ("*Matosantos*"), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in California ceased to exist as a matter of law on February 1, 2012. The Court in *Matosantos* also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22" herein. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling $1.7 billion statewide.

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller's cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund ("Trust Fund"), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any "enforceable obligations" of the Successor Agency (as defined in the Dissolution Act), as well as to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, not to exceed $250,000 in any year, to the extent such costs have been approved in an administrative budget; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

The District can make no representations as to the extent to which its revenue limit apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities, including to the District. Per statute, 100 percent of contractual and statutory two percent pass-throughs, and 56.7 percent of statutory AB 1290 pass-throughs to the District, are restricted to educational facilities without offset against revenue limit apportionments by the State. Only 43.3 percent of AB 1290 pass-throughs to the District are offset against State aid so long as the District uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount "which would have been received . . . had the redevelopment agency existed at that time," and that the County Auditor-Controller shall "determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of [ABX1 26] using current assessed values . . . and pursuant to statutory [pass-through] formulas and contractual agreements with other taxing agencies."

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

District Debt Structure

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

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
General Obligation Bonds	$58,175,000	--	$1,615,000	$56,560,000
Original Issue Premium	2,938,643	--	172,861	2,765,782
Certificates of Participation	22,255,000	--	--	22,255,000
Community Facilities Districts(1)	1,865,000	--	40,000	1,825,000
Claims Liability	3,249,325	$725,735	--	3,975,060
Capital Leases	64,953	6,120	48,810	22,263
Accumulated Vacation – Net	798,188	--	68,568	729,620
OPEB Obligation – Net(2)	2,827,432	1,955,124	--	4,782,556
	$90,308,514	$2,686,979	$1,905,239	$91,090,281

(1) Debt service with respect to the bonds of these community facilities districts is paid from the proceeds of special taxes levied against land within the respective community facilities districts.

(2) See "THE DISTRICT – Other Post-Employment Benefits" herein.

Source: The District.

General Obligation Bonds. The District received authorization at an election held on March 5, 2002, by at least fifty-five percent of the votes cast by eligible voters within the District, to issue general obligation bonds in an amount not to exceed $67,940,000 (the "2002 Authorization"). On September 4, 2002, the District issued the first series of bonds pursuant to the 2002 Authorization in an aggregate principal amount of $37,997,910, styled as the Fullerton Joint Union High School District General Obligation Bonds, 2002 Election, Series A (the "2002 Series A Bonds"). Proceeds from the sale of the 2002 Series A Bonds were used to finance specific construction and modernization projects approved by the voters and to pay costs of issuance of the 2002 Series A Bonds.

On March 23, 2005, the District issued a second series of bonds pursuant to the 2002 Authorization, in an aggregate principal amount of $29,940,000, styled as the Fullerton Joint Union High School District General Obligation Bonds, 2002 Election, Series B (the "2002 Series B Bonds"). Proceeds from the sale of the Series B Bonds were used to finance specific construction and modernization projects approved by the voters and to pay costs of issuance of the Series B Bonds. The Series B Bonds are being refunded with the proceeds of the Bonds.

On September 15, 2010, the District issued its 2010 Fullerton Joint Union High School District, 2010 General Obligation Refunding Bonds in an aggregate principal amount of $29,120,000 (the "2010 Refunding Bonds"), the proceeds of which were used to refund a portion of the 2002 Series A Bonds. The only outstanding bond is the $292,910 capital appreciation bond, which matures on August 1, 2017.

The following table displays the total annual debt service requirements of the District for all of its outstanding general obligation bonded debt, including the Bonds (and assuming no optional redemptions):

OUTSTANDING BONDED INDEBTEDNESS*
Fullerton Joint Union High School District

Period Ending (August 1)	Series A(1)	Series B(2)	2010 Refunding Bonds	The Bonds	Total Annual Debt Service
2013	--	$1,875,455.00	$2,194,612.50		$4,070,067.50
2014	--	1,922,455.00	2,198,612.50		4,121,067.50
2015	--	1,941,455.00	2,265,612.50		4,207,067.50
2016	--	1,833,455.00	2,368,212.50		4,201,667.50
2017	$1,700,000.00	1,679,142.50	979,812.50		4,358,955.00
2018	--	1,729,142.50	2,729,812.50		4,458,955.00
2019	--	1,726,142.50	2,809,812.50		4,535,955.00
2020	--	1,733,517.50	2,914,812.50		4,648,330.00
2021	--	1,736,387.50	2,980,812.50		4,717,200.00
2022	--	1,977,387.50	2,840,812.50		4,818,200.00
2023	--	2,006,700.00	2,924,062.50		4,930,762.50
2024	--	2,097,825.00	2,942,187.50		5,040,012.50
2025	--	2,173,000.00	3,223,437.50		5,396,437.50
2026	--	2,217,000.00	2,842,437.50		5,059,437.50
2027	--	2,300,250.00	2,849,687.50		5,149,937.50
2028	--	5,545,500.00	--		5,545,500.00
2029	--	5,654,250.00	--		5,654,250.00
Total	$1,700,000.00	$40,149,065.00	$39,064,737.50	$	$80,913,802.50

(1) Excludes debt service on the Series A Bonds refunded by the 2010 Refunding Bonds.
(2) Includes debt service on the Refunded Bonds expected to be refinanced with the proceeds of the Bonds.

* Preliminary, subject to change.

Certificates of Participation. On March 29, 2007, the District caused the execution and delivery of its 2007 Certificates of Participation in an aggregate principal amount of $22,255,000, which represent undivided interests in lease payments to be made by the District for the use and occupancy of real property and improvements. The District is currently making lease payments from redevelopment pass-through payments. See “DISTRICT FINANCIAL INFORMATION – Redevelopment Pass-Through Payments.”

The following table summarizes the total annual lease payment requirements of the District for the 2007 Certificates of Participation by calendar year.

Period Ending (September 1)	Total Annual Debt Service
2013	$1,103,625.00
2014	1,103,625.00
2015	1,103,625.00
2016	1,203,625.00
2017	1,248,625.00
2018	1,342,625.00
2019	1,533,250.00
2020	1,615,250.00
2021	1,737,750.00
2022	1,827,750.00
2023	1,761,500.00
2024	2,101,500.00
2025	2,212,500.00
2026	2,170,000.00
2027	1,501,250.00
2028	1,537,500.00
2029	1,595,000.00
2030	1,572,500.00
2031	1,623,750.00
2032	1,695,000.00
2033	1,785,000.00
2034	1,917,500.00
2035	2,065,000.00
2036	4,226,250.00
Total	$41,584,000.00

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of corporations.

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

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

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

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

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST ON THE BONDS OR THE MARKET VALUE OF THE BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

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

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

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

LEGAL MATTERS

Legality for Investment in California

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

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District has covenanted for the benefit of bondholders (including beneficial owners of the Bonds) to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than eight months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2012-13 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Reports or the notices of listed events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Previous Undertakings. Within the past five years, the District has complied in all material respects with its previous undertakings with regard to the Rule to provide annual reports.

No Litigation

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

The District is occasionally subject to lawsuits and claims in the ordinary course of its operations. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the finances of the District.

Information Reporting Requirements

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

Verification

Upon delivery of the Bonds, Causey Demgen & Moore P.C., will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter (defined herein) relating to (a) the adequacy of the maturing principal of and interest on the Federal Securities in the Escrow Fund, together with any moneys held therein as cash, to pay the redemption price of and interest on with respect to the Refunded Bonds and (b) the computations of yield of the Bonds and the Federal Securities in the Escrow Fund which support Bond Counsel's opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes.

Legal Opinion

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

MISCELLANEOUS

Ratings

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), have assigned ratings of "Aa2" and "AA-," respectively, to the Bonds.

Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Standard & Poor's, 55 Water Street, New York, New York 10041; and Moody's Investors Service, 7 World Trade Center at 250 Greenwich, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Bonds.

Financial Statements

Portions of the financial statements with supplemental information for the year ended June 30, 2012, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated November 7, 2012 of Vavrinek, Trine, Day & Co., LLP (the "Auditor"), are included in this Official Statement as Appendix B. In connection with the inclusion of excerpts from the financial statements and the report of the Auditor thereon in Appendix B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Underwriting

The Bonds are being purchased by E.J. De La Rosa & Co., Inc. (the "Underwriter"). The Underwriter has agreed, pursuant to a purchase contract by and between the District and the Underwriter, to purchase all of the Refunding Bonds for a purchase price of $______________ (consisting of the principal amount of the Bonds of $______________, plus original issue premium of $_____________, less an Underwriter's discount of $__________). The purchase contract related to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by Bond Counsel and certain other conditions. The initial offering prices stated on the cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices. The offering prices may be changed from time to time by the Underwriter.

Additional Information

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

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

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

By: ____

Assistant Superintendent, Business Services

APPENDIX A

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Board of Trustees
Fullerton Joint Union High School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $___________ Fullerton Joint Union High School District (Orange and Los Angeles Counties, California) 2013 General Obligation Refunding Bonds (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution (the "Resolution") of the Board of Trustees of the Fullerton Joint Union High School District (the "District").

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

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

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

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

the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

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

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

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

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

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

Respectfully submitted,

APPENDIX B

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

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FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

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FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Governing Board
Fullerton Joint Union High School District
Fullerton, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fullerton Joint Union High 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 Fullerton Joint Union High School District, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof 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 7, 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 management's discussion and analysis on pages 4 through 13, budgetary comparison information and other postemployment benefits information on pages 55 and 56 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.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 7, 2012

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
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Business Services

This section of Fullerton Joint Union High 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, with comparative information from 2011. 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 Government 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 separately. These statements include all assets of the District 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.

Governmental Activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

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

The *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 Fullerton Joint Union High School District.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- The Fullerton Joint Union High School District's Government-wide Statement of Net Assets reports total net assets of $145.7 million, the result of assets of $266.7 million minus liabilities of $121 million. This is a net decrease over prior year of $11.8 million.
- The District continued to closely monitor expenditures and implement reductions to ongoing expenses as appropriate.
- The General Fund reported a positive fund balance in excess of $22.4 million.
- Enrollment remained relatively stable as compared to the prior year.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities. In 2002-2003 the District began an ambitious multimillion-dollar facilities program.

The relationship between revenues and expenses is the District's operating results. Since the Board's responsibility is to provide high quality 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 goals of the District including 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*, the District activities are as follows:

Governmental Activities - The District's services are reported in this category. This includes the education of eighth through twelfth grade students, adult education students, special education activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

***Governmental Funds* -** Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. 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.

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

THE DISTRICT AS 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 *Statements 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 $145.7 million for the fiscal year ended June 30, 2012. Of this amount, $41.2 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the District 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	$ 91,110,359	$ 85,648,275
Capital assets	175,635,425	178,903,280
Total Assets	266,745,784	264,551,555
Liabilities		
Current liabilities	29,548,146	16,647,500
Long-term obligations	91,090,281	90,308,541
Total Liabilities	120,638,427	106,956,041
Net Assets		
Invested in capital assets, net of related debt	94,032,380	109,252,821
Restricted	10,764,424	11,093,780
Unrestricted	40,996,678	37,248,913
Total Net Assets	$ 145,793,482	$ 157,595,514

The $41.2 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The District must closely monitor expenditures in the future and adhere strictly to the budget to ensure that the District expenditures continue to support its goals.

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 15. Table 2 takes the information from the Statement, and rearranges them slightly so the reader can identify the District's total revenues for the year.

Table 2

	Governmental Activities	
	2012	2011
Revenues		
Program revenues:		
Charges for services	$ 18,992	$ 184,937
Operating grants and contributions	21,910,642	19,244,565
Capital grants and contributions	33,346	2,822,044
General revenues:		
Federal and State revenue - unrestricted	63,938,314	65,027,973
Property taxes	46,270,462	49,063,269
Other general revenues	9,082,718	6,853,426
Total Revenues	141,254,474	143,196,214
Expenses		
Instruction-related	97,863,225	93,324,962
Student support services	16,431,063	16,007,086
Administration	5,805,871	6,059,184
Maintenance and operations	20,592,865	16,842,455
Other	12,363,482	13,626,327
Total Expenses	153,056,506	145,860,014
Change in Net Assets	$ (11,802,032)	$ (2,663,800)

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $153.0 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was $46.3 million.

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

Table 3

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$ 82,470,427	$ 67,990,560	$ 81,526,003	$ 67,237,658
Instruction-related activities	15,392,798	14,672,226	11,798,959	11,041,332
Home-to-school transportation	3,010,809	2,336,124	3,129,172	2,327,332
Other pupil services	13,420,254	8,890,909	12,877,914	8,035,799
Administration	5,805,871	5,586,919	6,059,184	5,783,818
Maintenance and operations	20,075,620	19,997,604	16,842,455	16,842,455
Ancillary services	517,245	517,245	587,249	587,249
Community services	723,379	723,379	596,739	401,474
Other outgo and interest	11,640,103	10,378,560	12,442,339	11,351,351
Total	$ 153,056,506	$ 131,093,526	$ 145,860,014	$ 123,608,468

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $57.1 million, which is approximately nine percent lower than the prior year primarily due to facilities programs, funding of health benefits and workers' compensation (Table 4).

Table 4

	Balances and Activity			
	July 1, 2011	Revenues	Expenditures	June 30, 2012
General Fund	$ 39,071,508	$ 131,590,941	$ 132,874,158	$ 37,788,291
Building Fund	9,717,840	1,392,607	1,935,561	9,174,886
Non-Major Governmental Funds	13,969,438	8,391,984	12,102,772	10,258,650
Total	$ 62,758,786	$ 141,375,532	$ 146,912,491	$ 57,221,827

The primary reasons for the decrease are the following:

1. Our General Fund is our principal operating fund. For the 2011-2012 school year, it has been combined with Funds 17 and 20 because they are revocable. The net fund balance in the General Fund decreased by $1.3 million to $37.8 million. This decrease is primarily due to deficit spending.
2. The Building Fund decreased $500,000 due to small education projects from the State.
3. Non-Major Governmental Funds decreased $3.8 million due to capital projects costs.

General Fund Budgetary Highlights

In June of each year, a Budget is adopted by the Board of Trustees, effective July 1 through June 30 for the fiscal year. The "adopted" Budget is developed based on on-going operational expenditures without carryover and one-time unanticipated new revenues. As the school year progresses, the Budget is revised and updated, with numerous financial reports publicly outlining the revisions. The final revision of the Budget which is also known as the Estimated Actual Budget is presented in June, toward the end of the school year. In August of the following year, the books for the previous school year are closed and the results are audited, yielding actual final numbers.

- The District's fund balance increased approximately $3.0 million in the General Fund. Revenues were about the same as expected, and expenditures were $3.0 million less than expected.

- State Aid and Property Tax revenues decreased approximately $600,000 between 2010-11 and 2011-12.

- Salaries and benefits expenditures decreased approximately $1.0 million between 2010-11 and 2011-12 with the total decrease in expenditures of 1.5 percent.

- Salaries related costs decreased due to hiring freezes and retirements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had $175.6 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of $3.3 million or two percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2012	2011
Land and construction in process	$ 5,661,603	$ 4,102,210
Buildings and improvements	169,945,560	174,716,993
Furniture and equipment	28,262	84,077
Total	$ 175,635,425	$ 178,903,280

This year's additions of $3.1 million included construction on three comprehensive school sites. State school facilities program matching funds and General Obligation Bond debt were issued for these additions. The last facilities bond was approved by voters in March 2002. The last of the projects anticipated under that bond issue are now in the final stages of completion. The District anticipates seeking voter approval for additional facilities improvement funds within the next few years.

Long-Term Obligations

At the end of this year, the District had $91.5 million in outstanding long-term obligations. These obligations consisted of the following:

Table 6

	Governmental Activities	
	2012	2011
General obligation bonds (financed with property taxes)	$ 56,560,000	$ 58,175,000
Premium on issuance	2,765,782	2,938,643
Certificates of participation (financed with redevelopment funds)	22,255,000	22,255,000
Insurance claims payable	3,975,060	3,249,325
Capital leases	22,263	64,953
Accumulated vacation - net	729,620	798,188
OPEB obligation - net	4,782,556	2,827,432
Total	$ 91,090,281	$ 90,308,541

The District's series 2002A and 2002B general obligation bond ($56.6 million) and COPs ($22.3 million) ratings were affirmed at 'AA+' and 'AA" respectively. The State limits the amount of general obligation debt that districts can issue up to a capped percentage of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $56.6 million is below the statutorily-imposed limit.

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

- A continuing increase in student achievement, as evidenced through increases in the District's Academic Performance Index (API); the District's API for 2012 was 826, up from 815 in 2011.

- The District's 2012 passage rates for the California High School Exit Exam were 94 percent for both English and math. This compares to the statewide averages of 83 percent for math and 84 percent for English.

- Three of the District's Schools were ranked in Newsweek's Top 1,000 high schools in the nation:

    - Troy High School 121
    - Sunny Hills 213
    - Sonora 882

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The key assumptions in our revenue forecast are as follows:

1. Revenue Limit - The budget year revenue limit will be based upon the 2011-2012 year revenue limit with a projected 3.23 percent cost of living adjustment (COLA), as well as the increased accumulated deficit factor of 22.27 percent. The District's budget year deficited revenue limit per ADA is projected to be $6,016 per unit of ADA.

2. State categorical program funding is expected to receive a zero percent COLA for Tier I through Tier III programs. The District will utilize the flexibility of the Tier III programs afforded through SBX3 4. Currently, the District plans to utilize flexibility amounts of approximately $4.0 million. These programs are proposed to remain flexible through 2014-15, as outlined in the Governor's January Budget Proposal.

3. Lottery – Lottery expenditures for the budget year will be maintained at prior year levels in support of programs identified in the 2011-12 budget with minor adjustments.

4. No additional Federal revenue such as SFSF, ARRA, or Education Jobs funds is anticipated in 2012-13 and beyond. The District used the final monies from the Education Jobs Fund in 2011-12, at which time all of these one-time funds were exhausted.

5. Redevelopment Agencies (RDAs) **-** Due to the elimination of RDAs, revenue projections for the District's RDAs is somewhat uncertain for the coming year. The District anticipates receiving between $660,000 and $900,000 during the budget year. However, for budgeting purposes, total revenue is projected to be $750,000. Of this amount, 43.3 percent (or $324,750) is required to be transferred to the General Fund; accordingly the District's revenue limit will be reduced by a corresponding amount in compliance with AB 1290 requirements resulting in a net zero impact from the 43.3 percent transfer amount.

6. Interest earnings on funds in custody will be budgeted at 0.235 percent.

7. Interest earnings for funds on deposit with the County Treasurer will be budgeted at 0.235 percent.

The items specifically addressed in the budget are the following:

- The District has taken the perspective that the roller coaster of State funding streams for the last few years will not be allowed to circumvent the implementation of academic-focused programs. The continued emphasis on closing the achievement gap for all students will push forward. Focus will be on summer school and classroom instruction programs. Reductions will impact expenditures in personnel, instructional materials, outside services, and supplies.

- The District continues to build and implement contingency plans due to the deficit spending of the State of California and the continued impact of this problem on public education.

- The State and Federal budget issues have an impact on the District's budget. As revenues from these two sources change, so do District revenues, since 91 percent come from State and Federal revenue streams. These factors, as well as, the attendance base upon which the District is paid will be known by April of the next year and is projected to be declining slightly for the next three years.

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:

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Fullerton Joint Union School District
1051 West Bastanchury Road
Fullerton, California, 92833-2247

Phone: 714-870-2810
E-mail: rlebs@fjuhsd.net

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS	
Deposits and investments	$ 61,534,362
Receivables	28,907,618
Due from other funds	6,379
Prepaid expenditures	139,478
Deferred Charges	346,992
Stores inventories	175,530
Capital assets	
Land and construction in process	5,661,603
Other capital assets	227,345,773
Less: Accumulated depreciation	(57,371,951)
Total Capital Assets	175,635,425
Total Assets	266,745,784
LIABILITIES	
Accounts payable	10,028,741
Interest payable	1,386,752
Deferred revenue	1,653,128
Current loans	16,793,400
Long-term obligations	
Current portion of long-term obligations	1,772,861
Noncurrent portion of long-term obligations	89,317,420
Total Long-Term Obligations	91,090,281
Total Liabilities	120,952,302
NET ASSETS	
Invested in capital assets, net of related debt	94,032,380
Restricted for:	
Debt service	1,342,740
Capital projects	6,668,495
Educational programs	1,221,295
Other activities	1,531,894
Unrestricted	40,996,678
Total Net Assets	$ 145,793,482

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

FULLERTON JOINT UNION HIGH 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	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 82,470,427	$ -	$ 14,446,521	$ 33,346	$ (67,990,560)
Instruction-related activities:					
Supervision of instruction	4,650,291	-	562,853	-	(4,087,438)
Instructional library, media and technology	1,545,533	-	39,825	-	(1,505,708)
School site administration	9,196,974	-	117,894	-	(9,079,080)
Pupil services:					
Home-to-school transportation	3,010,809	16,726	657,959	-	(2,336,124)
Food services	2,560,712	-	1,502,569	-	(1,058,143)
All other pupil services	10,859,542	-	3,026,776	-	(7,832,766)
Administration:					
Data processing	831,316	-	-	-	(831,316)
All other administration	4,974,555	868	218,084	-	(4,755,603)
Plant services	20,075,620	-	78,016	-	(19,997,604)
Ancillary services	517,245	-	-	-	(517,245)
Community services	723,379	-	-	-	(723,379)
Interest on long-term obligations	2,703,208	-	-	-	(2,703,208)
Other outgo	8,936,895	1,398	1,260,145	-	(7,675,352)
Total Governmental Activities	$ 153,056,506	$ 18,992	$ 21,910,642	$ 33,346	(131,093,526)
	General revenues and subventions:				
	Property taxes, levied for general purposes				41,194,610
	Property taxes, levied for debt service				3,651,003
	Taxes levied for other specific purposes				1,424,849
	Federal and State aid not restricted to specific purposes				63,938,314
	Interest and investment earnings				252,903
	Transfers between agencies				1,838
	Miscellaneous				8,827,977
	Subtotal, General Revenues				119,291,494
	Change in Net Assets				(11,802,032)
	Net Assets - Beginning				157,595,514
	Net Assets - Ending				$ 145,793,482

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

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 37,802,379	$ 9,135,426	$ 10,337,405	$ 57,275,210
Receivables	28,571,789	2,507	268,540	28,842,836
Due from other funds	90,928	663,347	8,461	762,736
Prepaid expenditures	139,478	-	-	139,478
Stores inventories	163,187	-	12,343	175,530
Total Assets	$ 66,767,761	$ 9,801,280	$ 10,626,749	$ 87,195,790
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 8,777,630	$ 626,160	$ 404,704	$ 9,808,494
Due to other funds	1,817,870	234	90,203	1,908,307
Other current liabilities	16,793,400	-	-	16,793,400
Deferred revenue	1,590,570	-	-	1,590,570
Total Liabilities	28,979,470	626,394	494,907	30,100,771
FUND BALANCES				
Nonspendable	352,665	-	21,655	374,320
Restricted	1,221,295	9,174,886	5,845,814	16,241,995
Assigned	20,447,126	-	4,264,373	24,711,499
Unassigned	15,767,205	-	-	15,767,205
Total Fund Balances	37,788,291	9,174,886	10,131,842	57,095,019
Total Liabilities and Fund Balances	$ 66,767,761	$ 9,801,280	$ 10,626,749	$ 87,195,790

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

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		$ 57,095,019
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 the following:	$ 233,007,376	
Accumulated depreciation is the following:	(57,371,951)	
Net Capital Assets		175,635,425
Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but should not be recognized in accrual basis.		
Deferred charges on cost of issuance on bond refunding	346,992	346,992
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.		(1,386,752)
An internal service fund is used by the District's management to charge the costs of the dental insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. The Internal Service Fund net assets are the following:		1,218,019
Long-term obligations at year-end consist of the following:		
General obligation bonds	56,560,000	
Original issue premium on general obligation bonds	2,765,782	
Certificates of participation	22,255,000	
Capital lease obligations	22,263	
Compensated absences	729,620	
OPEB obligation	4,782,556	
Total Long-Term Obligations		(87,115,221)
Total Net Assets - Governmental Activities		$ 145,793,482

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

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

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

	General Fund	Building Fund
REVENUES		
Revenue limit sources	$ 85,529,512	$ -
Federal sources	9,153,980	-
Other State sources	24,156,754	-
Other local sources	12,750,695	1,265,799
Total Revenues	131,590,941	1,265,799
EXPENDITURES		
Current		
Instruction	78,986,091	-
Instruction-related activities:		
Supervision of instruction	1,569,783	-
Instructional library, media and technology	1,512,451	-
School site administration	9,028,232	-
Pupil services:		
Home-to-school transportation	2,860,482	-
Food services	16,800	-
All other pupil services	10,695,388	-
General administration:		
Data processing	810,174	-
All other general administration	4,932,398	-
Plant services	13,019,326	-
Facility acquisition and construction	5,369	1,585,829
Ancillary services	508,272	-
Community services	399,753	-
Other outgo	7,866,469	-
Debt service		
Principal	-	-
Interest and other	663,170	333,919
Total Expenditures	132,874,158	1,919,748
Excess (Deficiency) of Revenues Over Expenditures	(1,283,217)	(653,949)
Other Financing Sources (Uses)		
Transfers in	-	126,808
Transfers out	-	(15,813)
Net Financing Sources (Uses)	-	110,995
NET CHANGE IN FUND BALANCES	(1,283,217)	(542,954)
Fund Balances - Beginning	39,071,508	9,717,840
Fund Balances - Ending	$ 37,788,291	$ 9,174,886

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 85,529,512
1,489,457	10,643,437
751,805	24,908,559
6,134,909	20,151,403
8,376,171	141,232,911
268,416	79,254,507
-	1,569,783
-	1,512,451
-	9,028,232
-	2,860,482
2,514,125	2,530,925
1,202	10,696,590
-	810,174
57,298	4,989,696
431,803	13,451,129
3,733,297	5,324,495
-	508,272
-	399,753
1,070,426	8,936,895
1,615,000	1,615,000
2,411,205	3,408,294
12,102,772	146,896,678
(3,726,601)	(5,663,767)
15,813	142,621
(126,808)	(142,621)
(110,995)	-
(3,837,596)	(5,663,767)
13,969,438	62,758,786
$ 10,131,842	$ 57,095,019

FULLERTON JOINT UNION HIGH 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

Total Net Change in Fund Balances - Governmental Funds		$ (5,663,767)
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 depreciation expense exceeds capital outlays in the period.		
Depreciation expense	$ (5,115,198)	
Capital outlays	2,545,736	(2,569,462)
Loss on disposal of capital assets is reported in the government-wide financial Statement of Net Assets, but is not recorded in the governmental funds.		(698,392)
In the Statement of Activities, certain operating expenses - 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). This year, there are no special termination benefits. Vacation earned was less than amounts used by $68,568.		68,568
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:		
Increase in capital lease payable		(6,120)
Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these related items:		
Cost of issuance on bond refunding	(2,828,741)	
Repayment of debt principal 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:		
General obligation bond redeemed		1,615,000
Capital lease obligations		48,810

FULLERTON JOINT UNION HIGH 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

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:	
Amortization of debt premium	$ 172,861
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. Accrued interest on the general obligation bonds and certificates of participation decreased by $483,415.	483,415
In the Statement of Activities, Other Postemployment Benefits (OPEB) obligations are measured by an actuarially determined Annual Required Contribution (ARC). In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts contributed toward the OPEB obligations were less than the ARC by $1,955,124.	(1,955,124)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.	(469,079)
Change in Net Assets of Governmental Activities	$ (11,802,031)

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 4,259,152
Receivables	64,782
Due from other funds	1,152,442
Total Current Assets	5,476,376
LIABILITIES	
Current Liabilities	
Accounts payable	220,247
Due to other funds	492
Deferred revenue	62,558
Total Current Liabilities	283,297
Noncurrent Liabilities	
Long-term obligations	3,975,060
Total Liabilities	4,258,357
NET ASSETS	
Restricted	$ 1,218,019

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

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

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	$ 19,149,872
Total Operating Revenues	19,149,872
OPERATING EXPENSES	
Payroll costs	318,291
Employee benefit costs	3,229,269
Professional and contract services	16,099,074
Total Operating Expenses	19,646,634
Operating Income	(496,762)
NONOPERATING REVENUES	
Interest income	27,683
Change in Net Assets	(469,079)
Total Net Assets - Beginning	1,687,098
Total Net Assets - Ending	$ 1,218,019

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	$ 19,532,902
Cash payments to employees for services and other operating expenses	(20,856,749)
Net Cash Used by Operating Activities	(1,323,847)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	27,683
Net decrease in cash and cash equivalents	(1,296,164)
Cash and cash equivalents - Beginning	5,327,961
Cash and cash equivalents - Ending	$ 4,031,797
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	$ (496,762)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Changes in assets and liabilities:	
Receivables	(11,937)
Due from other funds	394,145
Accrued liabilities	438,260
Deferred revenue	822
Due to other funds	(1,734,896)
NET CASH USED BY OPERATING ACTIVITIES	$ (1,410,368)

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Agency Funds [1]		
	Debt Service Fund for Special Tax Bonds	Associated Student Bodies	Total Agency Funds
ASSETS			
Deposits and investments	$ 413,635	$ 2,422,693	$ 2,836,328
Receivables	89	-	89
Stores inventories	-	5,697	5,697
Total Assets	$ 413,724	$ 2,428,390	$ 2,842,114
LIABILITIES			
Accounts payable	$ 6,380	$ 133,811	$ 140,191
Due to student groups	-	2,294,579	2,294,579
Due to bondholders	407,344	-	407,344
Total Liabilities	$ 413,724	$ 2,428,390	$ 2,842,114

[1] See page 28 for footnote explanation on Fiduciary/Agency Funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Fullerton Joint Union High School District (the District) was established in 1893 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 9 - 12 as mandated by the State and/or Federal agencies. The District operates six high schools, one continuation high school, one alternative high school, and one special education facility.

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 Fullerton Joint Union High 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 discussed below is reported in the District's financial statements because of the significance of its relationship with the District. The component unit, although a legally separate entity, is reported in the financial statements as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the benefit of the District.

The Fullerton Joint Union High School District Educational Foundation's (the Foundation) financial activity is presented in the financial statements in the Capital Facilities Fund. Certificates of participation (COP) issued by the Foundation are included in the long-term obligations of the Statement of Net Assets. Individually prepared financial statements of the Foundation may be obtained through the business office of the District.

The Fullerton Joint Union High School District Community Facilities District (the CFD) financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units, included in the Governmental Funds of the District. The accumulation of resources for the payment of principal and interest on the special tax bonds issued by the CFD are included in the Fiduciary Funds Statement. Special Tax Bonds issued by the CFD are not included in the long-term obligations of the Statement of Net Assets, as they are not obligations of the District; see Note 9 (Non-Obligatory Debt). Individually prepared financial statements are not prepared for the CFD.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, fund balance, revenues and expenditures of $15,386,964, $15,386,965, $70,767, and $0, respectively, as of and for the year ended June 30, 2012.

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.

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

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects is used to account for funds set aside for the maintenance of the Plummer Auditorium Pipe Organ.

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

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).

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has no enterprise funds.

Internal Service Fund Internal Service funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a self-insured dental program and a self-insured workers' compensation program that are accounted for in an internal service fund.

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.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for the accumulation of resources for the payment of the principal and interest on the special tax bonds issued by the 2005-1 CFD and the 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 financial Statement of Activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs and functions using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. 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 is self-financing or draws from the general revenues of the District.

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 purposes 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 funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using a 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 Balances 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 reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

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

Fiduciary Funds 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 requirements. 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 combined balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met and 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.

Cash and Cash Equivalents

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

Investments

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

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the capital assets in the government-wide financial Statement of Net Assets.

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

Prepaid Expenditures

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental activities 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 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 fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs, Premiums and Discounts

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

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.

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 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 $10,764,424 of restricted net assets.

Operating Revenues and Expenses

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

Interfund Activity

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

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 Counties of Los Angeles and 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 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

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	$ 57,275,210
Proprietary fund	4,259,152
Fiduciary funds	2,836,328
Total Deposits and Investments	$ 64,370,690

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

Cash on hand and in banks	$ 5,349,453
Cash in revolving	59,312
Investments	58,961,925
Total Deposits and Investments	$ 64,370,690

Policies and Practices

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

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

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool and LAIF.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Weighted Average Maturity In Days
County Pool	$ 59,136,632	347
Local Agency Investment Fund (LAIF)	31,532	270
Total	$ 59,168,164	

Credit Risk

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

Investment Type	Minimum Legal Rating	Rating as of June 30, 2012	Fair Value
County Pool	Not Required	AAA	$ 59,136,632
Local Agency Investment Fund (LAIF)	Not Required	Not Rated	31,532
Total Investments			$ 59,168,164

Custodial Credit Risk - Deposits

The District does monitor risk and reports to the Board quarterly. 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's bank balance of $4,963,296 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution'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	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government					
Categorical aid	$ 1,218,535	$ -	$ 242,911	$ -	$ 1,461,446
State Government					
Apportionment	18,747,938	-	-	-	18,747,938
Categorical aid	1,984,586	-	20,358	-	2,004,944
Lottery	1,258,444	-	-	-	1,258,444
Local Government					
Interest	21,951	2,507	4,193	-	28,651
Other Local Sources	5,340,335	-	1,078	64,782	5,406,195
Total	$ 28,571,789	$ 2,507	$ 268,540	$ 64,782	$ 28,907,618

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	$ 3,485,921	$ -	$ -	$ 3,485,921
Construction in process	616,289	2,149,190	589,797	2,175,682
Total Capital Assets Not Being Depreciated	4,102,210	2,149,190	589,797	5,661,603
Capital Assets Being Depreciated				
Land improvements	44,471,126	-	-	44,471,126
Buildings and improvements	168,087,978	589,797	698,392	167,979,383
Furniture and equipment	14,498,719	396,545	-	14,895,264
Total Capital Assets Being Depreciated	227,057,823	986,342	698,392	227,345,773
Less Accumulated Depreciation				
Land improvements	4,042,538	414,680	-	4,457,218
Buildings and improvements	33,799,573	4,248,157	-	38,047,730
Furniture and equipment	14,414,642	452,361	-	14,867,003
Total Accumulated Depreciation	52,256,753	5,115,198	-	57,371,951
Governmental Activities Capital Assets, Net	$ 178,903,280	$ (1,979,666)	$ 1,288,189	$ 175,635,425

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 1,863,395
Home-to-school transportation	106,142
Food services	6,042
Data processing	9,532
All other general administration	72,389
Plant services	3,057,698
Total Depreciation Expenses Governmental Activities	$ 5,115,198

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2012, between major and non-major governmental funds and internal service funds are as follows:

	Due From					
Due To	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Debt Service Fund for Special Tax Bonds	Total
General Fund	$ -	$ 234	$ 90,203	$ 492	$ -	$ 90,929
Building Fund	663,347	-	-	-	-	663,347
Non-Major Governmental Funds	2,081	-	-	-	6,380	8,461
Internal Service Fund	1,152,442	-	-	-	-	1,152,442
Total	$ 1,817,870	$ 234	$ 90,203	$ 492	$ 6,380	$ 1,915,179

The balance of $663,347 is due from the General Fund to the Building Fund to cover for COP payments.

The balance of $1,152,442 is due from the General Fund to the Internal Service Fund to cover insurance cost.

All remaining balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

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

	Transfer From		
Transfer To	Building Fund	Non-Major Governmental Funds	Total
Building Fund	$ -	$ 126,808	$ 126,808
Non-Major Governmental Funds	15,813	-	15,813
Total	$ 15,813	$ 126,808	$ 142,621

Transfer from the County School Facilities fund to the Building Fund for matching requirements related to expenditure costs.	$ 126,808
Transfer from the Building Fund to the County School Facilities Fund for matching requirements related to expenditure costs.	15,813
Total	$ 142,621

NOTE 6 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Funds
Vendor payables	$ 6,937,925	$ 612,343	$ 314,429	$ 190,907	$ 8,055,604	$ 133,811
Salaries and benefits	1,839,705	13,817	90,275	29,340	1,973,137	-
Total	$ 8,777,630	$ 626,160	$ 404,704	$ 220,247	$ 10,028,741	$ 133,811

NOTE 7 - DEFERRED REVENUE

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

	General Fund	Internal Service Fund	Total Governmental Activities
State categorical aid	$ 168,052	$ -	$ 168,052
Other local	1,422,518	62,558	1,485,076
Total	$ 1,590,570	$ 62,558	$ 1,653,128

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due in One Year
General obligation bonds	$ 58,175,000	$ -	$ 1,615,000	$ 56,560,000	$ 1,600,000
Original Issue Premium	2,938,643	-	172,861	2,765,782	172,861
Certificates of participation	22,255,000	-	-	22,255,000	-
Claims liability	3,249,325	725,735	-	3,975,060	-
Capital leases	64,953	6,120	48,810	22,263	-
Accumulated vacation - net	798,188	-	68,568	729,620	-
OPEB obligation - net	2,827,432	1,955,124	-	4,782,556	-
	$ 90,308,541	$ 2,686,979	$ 1,905,239	$ 91,090,281	$ 1,772,861

- Payments on General Obligation Bonds are made by the Bond Interest and Redemption Fund.
- Payments on the Certificates of Participation are made by the Capital Facilities Fund.
- Payments for Accumulated Vacation are typically liquidated in the fund for which the employee worked.
- Payments for the claims liability on Workers' Compensation are made by the Internal Service Fund.
- Payments on the Capital Leases are made by the General Fund.
- Payments for OPEB Obligation are typically liquidated in the fund for which the employee worked.

Bonded Debt - General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2011	Issued	Redeemed/ Refunded	Bonds Outstanding June 30, 2012
August 2002	August 2017	1.2% - 5.0 %	$ 37,997,910	$ 2,565,000	$ -	$ 865,000	$ 1,700,000
March 2005	August 2029	3.0% - 5.25 %	29,940,000	26,490,000	-	600,000	25,890,000
August 2010	August 2029	2.0% - 3.8%	29,120,000	29,120,000	-	150,000	28,970,000
				$ 58,175,000	$ -	$ 1,615,000	$ 56,560,000

2002 Election Series A

In August, 2002, the District issued a $37,997,910, Series A Current Interest Bond. Proceeds from the bond were used for the acquisition and improvement of real property and the furnishing and equipment of school facilities for the District. Proceeds from the 2010 Election General Obligations Refunding Bond were used to pay the majority of the remaining balance. As of June 30, 2012, the principal outstanding was $1,700,000.

The bonds mature through 2017 as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
2017	$ 1,700,000	$ -	$ 1,700,000

2002 Election Series B

On March 5, 2005, the District issued a $29,940,000 Series B Current Interest Bond. Proceeds from the bond were used to finance the acquisition and improvement of real property and the furnishing and equipping of school facilities for the District. The bond has a final maturity to occur August 1, 2029, and yield an interest rate of 3.0 percent to 5.25 percent. At June 30, 2012, the principal outstanding was $25,890,000.

The bonds mature through 2030 as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
2013	$ 650,000	$ 1,188,455	$ 1,838,455
2014	700,000	1,161,455	1,861,455
2015	775,000	1,131,955	1,906,955
2016	825,000	1,099,955	1,924,955
2017	750,000	1,068,799	1,818,799
2018-2022	3,615,000	4,913,455	8,528,455
2023-2027	6,470,000	3,853,344	10,323,344
2028-2030	12,105,000	1,092,375	13,197,375
Total	$ 25,890,000	$ 15,509,793	$ 41,399,793

2010 General Obligations Refunding Bond

On August 17, 2010, the District issued a $29,120,000 General Obligations Refunding Bond. Proceeds from the bond will be used for the purpose of refunding 2002 Series A General Obligations Bond. The bond matures on August 1, 2029, and has interest rates of 2.0 percent to 3.8 percent. At June 30, 2012, the principal outstanding was $28,970,000.

The bonds mature through 2030 as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
2013	$ 950,000	$ 1,181,925	$ 2,131,925
2014	1,050,000	1,107,300	2,157,300
2015	1,075,000	1,139,925	2,214,925
2016	1,185,000	1,021,300	2,206,300
2017	1,335,000	1,045,125	2,380,125
2018-2022	8,000,000	4,195,750	12,195,750
2023-2027	12,625,000	1,944,375	14,569,375
2028-2030	2,750,000	-	2,750,000
Total	$ 28,970,000	$ 11,635,700	$ 40,605,700

Certificates of Participation

On March 15, 2007, the Foundation issued $22,255,000 in certificates of participation with interest rates ranging from 3.75 to 5.00 percent. The certificates mature each September 1 through September 1, 2036, with semi-annual interest payments due March 1 and September 1. The proceeds were used to finance the construction of certain capital improvements to the facilities of the District. The payments are made by redevelopment funds.

A schedule of debt requirements related to the certificates of participation is presented below. The certificates mature through 2037 as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ -	$ 1,103,626	$ 1,103,626
2014	-	1,103,626	1,103,626
2015	-	1,103,626	1,103,626
2016	-	1,103,626	1,103,626
2017	100,000	1,101,125	1,201,125
2018-2022	2,100,000	5,329,563	7,429,563
2023-2027	5,530,000	4,405,000	9,935,000
2028-2032	4,625,000	3,089,375	7,714,375
2033-2037	9,900,000	1,541,250	11,441,250
Total	$ 22,255,000	$ 19,880,817	$ 42,135,817

Insurance Claims Payable

Self-insurance activity for workers' compensation/employers' liability has been recorded in the Internal Service Fund. The claims payable portion recorded in the long-term obligations for the District at June 30, 2012, amounted to $3,975,060.

Capital Leases

The District has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Copiers
Balance, July 1, 2011	$ 67,824
Additions	6,120
Payments	48,810
Balance, June 30, 2012	$ 25,134

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2013	$ 25,134
Less: Amount Representing Interest	2,871
Present Value of Minimum Lease Payments	$ 22,263

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2012, amounted to $729,620.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2012, was $3,054,257, and contributions made by the District during the year were $1,099,133. Interest on the net OPEB obligation resulted in an increase to the net OPEB obligation of $1,955,124. As of June 30, 2012, the net OPEB obligation was $4,782,556. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 9 - NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances by the Community Facility District, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of $1,825,000 as of June 30, 2012, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable				
Revolving cash	$ 50,000	$ -	$ 9,312	$ 59,312
Stores inventories	163,187	-	12,343	175,530
Prepaid expenditures	139,478	-	-	139,478
Total Nonspendable	352,665	-	21,655	374,320
Restricted				
Legally restricted programs	1,221,295	9,174,886	-	10,396,181
Capital projects	-	-	3,116,342	3,116,342
Debt services	-	-	2,729,472	2,729,472
Total Restricted	1,221,295	9,174,886	5,845,814	16,241,995
Assigned				
Other	20,447,126	-	4,264,373	24,711,499
Total Assigned	20,447,126	-	4,264,373	24,711,499
Unassigned				
Reserve for economic uncertainties	3,893,584	-	-	3,893,584
Remaining unassigned	11,873,621	-	-	11,873,621
Total Unassigned	15,767,205	-	-	15,767,205
Total	$ 37,788,291	$ 9,174,886	$ 10,131,842	$ 57,095,019

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

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Fullerton Joint Union High School District. The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 91 retirees and beneficiaries currently receiving benefits, and 958 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 (FSTO), 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 $1,099,133 to the Plan, all of which was used for current 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	$ 3,054,257
Contributions made	(1,099,133)
Increase in net OPEB obligation	1,955,124
Net OPEB obligation, beginning of year	2,827,432
Net OPEB obligation, end of year	$ 4,782,556

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 Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2010	$ 2,103,506	$ 1,259,801	60%	$ 1,737,142
2011	$ 2,103,506	$ 1,013,216	48%	$ 2,827,432
2012	$ 3,054,257	$ 1,099,133	36%	$ 4,782,556

Funded Status and Funding Progress

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. As of March 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $23,688,155, and the actuarial value of assets was $0, resulting in an UAAL of $23,688,155.

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.

NOTE 12 - 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 CalSTRS; a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living, 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 STRS, 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. Legislation provided that for the first time, most stipends and hourly programs, funding be included. 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 $5,080,058, $5,105,963, and $5,252,876, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under 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 $1,855,207, $1,953,180, and $1,929,927, respectively, and equal 100 percent of the required contributions for each year.

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 $3,088,031 (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 13 - COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

The District is not currently a party to any legal proceedings.

Construction Commitments

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

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Fullerton Union High School	$ 12,840	01/31/13
La Habra High School	6,876	01/31/13
Sunny Hills High School	1,756,378	1031/12
Sonora High School	190,988	12/31/12
Troy High School	309,571	02/28/13
La Vista High School	12,410	07/30/12
	$ 2,289,063	

NOTE 14 - RISK MANAGEMENT

The District is self-insured under the California *Education Code* Section 39602 for general liability, commercial property, workers' compensation and certain employee medical benefit claims. The District has obtained insurance coverage through a combination of commercial insurance and intergovernmental risk pooling that will cover claims within the following ranges to supplement its self-insurance program:

Insurance Program	Limits
General liability	$25,000 per occurrence up to $25,000,000
Property	$5,000 per occurrence up to $105,000,000
Workers' compensation	Occurrences exceeding $500,000 up to statutory limits
Employers' liability	$250,000 per occurrence up to $10,000,000
Employee vision and dental benefits	Occurrences up to $2,200 per employee yearly

Alliance of Schools for Cooperative Insurance Programs (ASCIP) arranges for and provides property and liability insurance for its member school districts. The District pays a premium commensurate with the level of coverage requested. ASCIP is governed by a board consisting of 25 elected members and alternatives. The governing board controls the operations of the JPA independent of any influence by the District beyond the District's representation on the governing boards.

The Schools' Excess Liability Fund (SELF) arranges for and provides a self-funded excess liability fund for approximately 1,100 public educational agencies. SELF is governed by a board of 32 elected voting members, elected alternates and two ex-official members. The board controls the operations of SELF, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual contribution based upon that calculated by SELF's Board of Directors and shares surpluses and deficits proportionately to its participation in SELF.
Self-insurance activity for the dental program and the workers' compensation/employers' liability has been recorded in the Internal Service Fund. There were no claims settled in fiscal years 2012, 2011, or 2010, which exceeded the self-insured amount. Changes in the claims liability for workers' compensation in fiscal years 2012 and 2011 were as follows:

	Claims Liability
Liability Balance, July 1, 2010	$ 2,994,419
Claims and changes in estimates	9,490,417
Claims payments	(9,235,511)
Liability Balance, June 30, 2011	3,249,325
Claims and changes in estimates	7,280,238
Claims payments	(6,554,503)
Liability Balance, June 30, 2012	$ 3,975,060
Assets available to pay claims at June 30, 2012	$ 5,476,376

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AGENCIES

The District participates in a joint venture under a joint powers agreement with the Alliance of Schools for Cooperative Insurance Programs (ASCIP), the Schools' Excess Liability Fund (SELF), and the Metropolitan Employee Benefits Association (MEBA) public entity risk pools. The District also participates in a joint venture under a joint power agreement with North Orange County Regional Occupational Program (NOCROP).

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 available from the respective entities.

During the year ended June 30, 2012, the District made payments of $646,590, $35,052, and $14,960,471, to ASCIP, SELF, and MEBA, respectively, for its health and welfare and excess liability coverage.

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

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

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

	Budgeted Amounts (GAAP Basis) Original Budget	Budgeted Amounts (GAAP Basis) Final Budget (EA)	Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
REVENUES				
Revenue limit sources	$ 85,950,661	$ 85,547,384	$ 85,529,512	$ (17,872)
Federal sources	7,883,752	9,416,108	9,153,980	(262,128)
Other State sources	20,167,764	21,166,240	24,156,754	2,990,514
Other local sources	10,068,263	12,504,818	12,750,695	245,877
Total Revenues [1]	124,070,440	128,634,550	131,590,941	2,956,391
EXPENDITURES				
Current				
Certificated salaries	63,392,092	61,623,581	61,500,052	123,529
Classified salaries	18,588,014	18,523,246	18,061,673	461,573
Employee benefits	27,184,590	27,841,318	30,657,977	(2,816,659)
Books and supplies	3,928,643	5,139,415	4,185,101	954,314
Services and operating expenditures	11,338,650	11,180,348	9,860,771	1,319,577
Capital outlay	179,000	182,907	136,245	46,662
Other outgo	8,746,241	8,445,528	7,809,171	636,357
Debt service				
Interest	-	-	663,168	(663,168)
Total Expenditures [1]	133,357,230	132,936,343	132,874,158	62,185
Excess of Revenues Over Expenditures	(9,286,790)	(4,301,793)	(1,283,217)	3,018,576
OTHER FINANCING SOURCES (USES)				
Transfers in	825,177	825,177	-	(825,177)
Transfers out	(805,177)	(805,177)	-	805,177
Net Financing Sources (Uses)	20,000	20,000	-	(20,000)
NET CHANGE IN FUND BALANCES	(9,266,790)	(4,281,793)	(1,283,217)	2,998,576
Fund Balance - Beginning	39,071,508	39,071,508	39,071,508	-
Fund Balance - Ending	$ 29,804,718	$ 34,789,715	$ 37,788,291	$ 2,998,576

[1] On behalf of STRS payments of $3,088,031 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 17 (Special Reserve Fund for Other Than Capital Outlay Projects) and Fund 20 (Special Reserve Fund for Postemployment Benefits) with Fund 01 (General Fund) for GASB 54 reporting requirement, revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures and are also included in the Original adopted and Final estimated actual budgets.

FULLERTON JOINT UNION HIGH 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)
November 1, 2008	$ -	$ 16,412,549	$ 16,412,549	0%	$ 80,132,000	20.5%
March 1, 2012	$ -	$ 23,688,155	$ 23,688,155	0%	$ 81,236,090	29.2%

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Fullerton Joint Union High School District (the "District") in connection with the issuance of $_____ aggregate principal amount of the District's 2013 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the District dated April 16, 2013. The District covenants and agrees as follows:

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

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

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

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

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

"Holders" shall mean registered owners of the Bonds.

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

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

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

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

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

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

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

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

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

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

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

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

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

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

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

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

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

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

(vi) current fiscal year assessed valuation of taxable properties in the District.

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

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

SECTION 5. Reporting of Significant Events

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

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults.

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

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

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

(6) Adverse tax opinions or events affecting the tax-exempt status of the security.

(7) Modifications to rights of security holders.

(8) Contingent or unscheduled bond calls.

(9) Defeasances.

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

(11) Rating changes.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall, or shall cause the Dissemination Agent (if not the District) to, promptly file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds. However, any notice of the occurrence of a Listed Event that is filed before July 1, 2009, shall be filed with each nationally recognized municipal securities information repository and state repository designated as such by the Securities and Exchange Commission for purposes of the Rule, and otherwise in accordance with then-applicable procedures prescribed under the Rule.

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

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

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

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

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

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

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

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

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

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

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

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. 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. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____ __, 2013

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

By: ____
Assistant Superintendent, Business Services

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

Name of Bond Issue: 2013 General Obligation Refunding Bonds

Date of Issuance: May __, 2013

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

Dated:_______________________

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

By ____[form only; no signature required]_____

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APPENDIX D

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF FULLERTON AND ORANGE COUNTY

The following information concerning Orange County is included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the County.

General

Orange County. The County is located in southern California and is the third most populous in the state. Orange County is a major tourist destination, both as the home of Disneyland, large conventions, shopping centers, numerous beaches, and because of its close proximity to Los Angeles and Hollywood. The County is also well-known for its affluence and the presence of numerous Fortune 1000 companies.

The County is a general law county divided into five supervisory districts on the basis of registered voters and population. The Board of Supervisors consists of five elected members that elect a mayor.

City of Fullerton. The City is located in northern Orange County, bordering Anaheim, Brea and Buena Park. Fullerton is famous as a historical center for rock music and the original location of Fender musical instrument company. A general law city, Fullerton is governed through a council-manager system. The City Council consists of five elected members that elect a Mayor and employ a City Manager.

Population

The following table summarizes population estimates for the City, County and State from 2001 through 2012.

POPULATION ESTIMATES
City of Fullerton, Orange County and the State of California
2001-2012[(1)]

Year[(1)]	City of Fullerton	Orange County	California
2001	127,227	2,871,926	34,256,789
2002	128,412	2,902,207	34,725,516
2003	130,109	2,927,118	35,163,609
2004	132,420	2,948,135	35,570,847
2005	132,913	2,956,847	35,869,173
2006	133,412	2,956,334	36,116,202
2007	133,559	2,960,659	36,399,676
2008	133,872	2,974,321	36,704,375
2009	134,199	2,990,805	36,966,713
2010	135,108	3,008,855	37,223,900
2011	135,468	3,028,846	37,427,946
2012	137,481	3,055,792	37,678,563

(1) January 1 data.
Source: California State Department of Finance, Demographic Research Unit. March 2010 Benchmark.

Income

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

PERSONAL INCOME
County of Orange, State of California, and United States
2005-2011

Year	County of Orange	California	United States
2005	$139,408,948	$1,387,661,013	$10,476,669,000
2006	150,598,354	1,495,533,388	11,256,516,000
2007	153,446,641	1,566,400,134	11,900,562,000
2008	155,925,156	1,610,697,843	12,380,225,000
2009	145,247,447	1,526,531,367	12,168,161,000
2010	147,138,449	1,587,403,857	12,353,577,000
2011	154,131,535	1,676,564,972	12,981,740,848

Note: Dollars in Thousands.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

PER CAPITA PERSONAL INCOME[1]
County of Orange, State of California, and United States
2005-2011

Year	County of Orange	California	United States
2005	$47,417	$38,767	$35,424
2006	51,359	41,567	37,698
2007	52,342	43,240	39,461
2008	52,720	43,853	40,674
2009	48,624	42,395	39,635
2010	48,760	42,514	39,937
2011	50,440	44,481	41,663

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

Labor Force

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

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City of Fullerton, Orange County and the State of California
2007-2011[(1)]

	Area	Labor Force	Employment[(2)]	Unemployment[(3)]	Unemployment Rate[(4)]
2007	City of Fullerton	71,100	68,000	3,100	4.4%
	Orange County	1,608,600	1,546,000	62,600	3.9
	State of California	17,928,700	16,970,200	959,800	5.3
2008	City of Fullerton	71,700	67,400	4,300	5.9
	Orange County	1,618,100	1,532,800	85,300	5.3
	State of California	18,191,000	16,883,400	1,313,200	7.2
2009	City of Fullerton	70,700	63,700	7,000	9.9
	Orange County	1,588,800	1,448,200	140,600	8.9
	State of California	18,204,200	16,141,500	2,086,200	11.3
2010	City of Fullerton	70,900	63,400	7,500	10.6
	Orange County	1,591,000	1,440,400	150,700	9.5
	State of California	18,176,200	15,916,300	2,264,900	12.4
2011	City of Fullerton	71,400	64,400	7,000	9.7
	Orange County	1,603,700	1,464,400	139,300	8.7
	State of California	18,172,000	16,185,100	2,158,300	10.9

(1) Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.
(2) Includes persons involved in labor-management trade disputes.
(3) Includes all persons without jobs who are actively seeking work.
(4) The unemployment rate is computed from un-rounded data; therefore, it may differ from rates computed from rounded figures in this table.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2010 Benchmark.

Industry Employment

The following table summarizes employment figures by industry for the Santa-Ana-Anaheim-Irvine Metropolitan Division, which is located entirely within the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
Santa Ana-Anaheim-Irvine MD (Orange County)
2007-2011

	2007	2008	2009	2010	2011
Farming	5,000	4,600	3,800	3,700	3,200
Mining and Logging	600	600	500	500	500
Construction	103,100	91,200	74,200	68,000	68,300
Manufacturing	180,400	174,100	154,800	150,400	153,600
Wholesale Trade	86,900	86,700	79,400	77,600	77,900
Retail Trade	161,200	155,600	142,300	140,100	141,600
Transportation, Warehousing and Utilities	28,900	29,300	27,800	26,700	27,500
Information	31,200	30,100	27,300	24,800	23,800
Financial Activities	127,700	113,100	105,100	103,500	103,900
Professional and Business Services	273,300	266,600	240,200	243,500	246,700
Education and Health Services	142,600	150,700	152,100	155,500	158,700
Leisure and Hospitality	172,900	176,400	169,100	168,600	173,200
Other Services	47,400	46,500	42,600	42,200	42,800
Government	159,400	160,800	156,600	152,300	149,600
Total:	1,520,500	1,486,200	1,375,900	1,357,400	1,371,300

Note: Items may not add to total due to independent rounding.
Source: California Employment Development Department, Labor Market Information Division. March 2010 Benchmark.

Largest Employers

The following tables list the largest employers in the County and City.

LARGEST EMPLOYERS
Orange County
2011

Name	Employees	Percentage of Total County Employment
Walt Disney Co.	22,000	1.37%
U.C. Irvine	21,291	1.33
Orange County	17,257	1.08
St. Joseph Health System	12,048	0.75
Boeing Co.	7,700	0.48
Bank of America Corporation	6,300	0.39
Yum Brands Inc.	6,300	0.39
Kaiser Permanente	5,968	0.37
Target Corporation	5,527	0.34
Cedar Fair LP	5,200	0.32

Source: Orange County 'Comprehensive Annual Financial Report' for the year ending June 30, 2012.

LARGEST EMPLOYERS
City of Fullerton
2011

Name	Employees	Percentage of Total Employment
California State University, Fullerton	3,722	5.14%
St. Jude Medical Group	2,894	3.94
Raytheon Systems Co.	1,200	1.66
Fullerton College	1,123	1.55
Fullerton School District	1,065	1.47
Fullerton Joint Union High School District	870	1.20
Alcoa Fastening Systems	720	0.99
City of Fullerton	606	0.84
Albertson's Regional Corporate	572	0.79
Kraft Foods	499	0.69

Source: City of Fullerton 'Comprehensive Annual Financial Report' for the year ending June 30, 2011.

Building Activity

The following tables summarize new building permits and valuations in the City and County from 2007 through 2011.

BUILDING PERMITS AND VALUATIONS
City of Fullerton
2007-2011

	2007	2008	2009	2010	2011
Valuation (In $000's)					
Residential	19,794	31,304	8,023	11,411	53,764
Nonresidential	61,455	59,417	19,495	30,419	73,394
Total Valuation(1)	81,249	90,721	27,519	41,830	127,158
New Dwelling Units (#)					
Single-Family	37	30	4	46	7
Multi-Family	0	141	2	5	356
Total:	37	171	6	51	363

(1) Total may not add up due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
Orange County
2007-2011

	2007	2008	2009	2010	2011
Valuation (In $000's)					
Residential	$1,792,269	$1,037,710	$855,193	$1,029,406	$1,236,970
Nonresidential	2,005,197	1,439,121	952,485	1,115,928	1,300,021
Total Valuation(1)	$3,797,466	$2,476,831	$1,807,678	$2,181,334	2,536,992
New Dwelling Units (#)					
Single-Family	2,182	1,295	1,376	1,553	1,898
Multi-Family	4,890	1,864	824	1,538	2,909
Total:	7,072	3,159	2,200	3,091	4,807

(1) Total may not add up due to rounding.
Source: Construction Industry Research Board.

Taxable Sales

The following tables summarize taxable transactions in the City and County from 2007 through 2011.

TAXABLE SALES
City of Fullerton
2007-2011

Year	Retail Permits	Retail Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2007	1,577	$1,257,672	3,644	$1,666,413
2008	1,631	1,216,888	3,573	1,624,647
2009	1,964	1,074,628	3,321	1,429,441
2010	1,933	1,127,983	3,287	1,470,794
2011	1,971	1,202,906	3,271	1,585,979

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

TAXABLE SALES
Orange County
2007-2011

Year	Retail Permits	Retail and Food Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2007	44,093	$38,988,227	99,088	$57,293,471
2008	45,705	35,768,595	97,612	53,606,829
2009	56,259	31,162,619	90,231	45,712,784
2010	58,076	32,552,107	92,407	47,667,179
2011	58,795	35,587,795	92,207	51,731,139

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

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