PRELIMINARY OFFICIAL STATEMENT DATED MAY 22, 2014

NEW ISSUE – BOOK ENTRY ONLY | **RATING: S&P: "A"** (See "RATING" herein.)

In the opinion of Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming compliance with the tax covenants described herein, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on corporations and individuals. It is also the opinion of Bond Counsel that under existing law interest on the Bonds is exempt from personal income taxes of the State of California. See "TAX MATTERS" herein.

$23,000,000*
DELANO JOINT UNION HIGH SCHOOL DISTRICT
(County of Kern and County of Tulare, California)
2014 General Obligation Refunding Bonds
(Election of 2005, Series A)

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

The captioned Bonds (the "Bonds") offered hereunder on behalf of Delano Joint Union High School District (the "District") are being issued to (i) refund a portion of the District's $27,500,000 General Obligation Bonds 2005 Election, Series A of which $23,645,000 is presently outstanding and $22,995,000 is subject to redemption (the "Refunded Bonds") on a current basis, and (ii) pay certain costs of issuance associated therewith, as more fully described herein under the caption "PLAN OF REFUNDING." The Bonds are issued on a parity with each other and with all other general obligation bonds of the District. The Bonds will be issued in denominations of $5,000 principal amount or integral multiples thereof and are payable as to principal at the office of U.S. Bank National Association, in Los Angeles, California, Paying Agent for the Bonds (the "Paying Agent"). The Bonds will be issued as current interest bonds and will pay interest from their date of delivery on February 1 and August 1 of each year, commencing August 1, 2014.

The Bonds are issued in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds as described herein under the caption "THE BONDS – Book-Entry Only System."

The Bonds are subject to redemption prior to maturity as described under the caption "THE BONDS – Optional Redemption."

The Bonds are general obligations of the District only and are not obligations of the County of Kern, the County of Tulare, the State of California or any of its other political subdivisions. The Boards of Supervisors of the County of Kern and the County of Tulare have the power and are obligated to levy and collect *ad valorem* property taxes for each fiscal year upon the taxable property of the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal amount and interest on each Bond as the same becomes due and payable.

MATURITY SCHEDULE
On Inside Cover

The District has applied for a policy of municipal bond insurance to insure the scheduled payment of principal of and interest on the Bonds when due which, if purchased, would be issued concurrently with the delivery of the Bonds.

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.

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of legality by Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, Los Angeles, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by Matt Juhl-Darlington and Associates, Los Angeles, California. Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, Los Angeles, California, is acting as Disclosure Counsel for the issue. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about June 12, 2014.

STIFEL

Dated: ______ __, 2014

* Preliminary; subject to change.

MATURITY SCHEDULE[1]

DELANO JOINT UNION HIGH SCHOOL DISTRICT
(County of Kern and County of Tulare, California)
2014 General Obligation Refunding Bonds
(Election of 2005, Series A)

$__________ Serial Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP No. [2] (245595)
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				

[1] Preliminary; subject to change.
[2] 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 the CUSIP Services. Neither the Underwriter, the District nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein

DELANO JOINT UNION HIGH SCHOOL DISTRICT
County of Kern, State of California

Board of Trustees

District Administrators

Rosalina Rivera, Superintendent
James Hay, Assistant Superintendent
Adrian Maduena, Chief Financial Officer
Adelaida C. Ramos, Executive Director of Educational Services

SPECIAL SERVICES

Underwriter

Stifel, Nicolaus & Company, Incorporated
Los Angeles, California

Bond Counsel and Disclosure Counsel

Fulbright & Jaworski LLP,
a member of Norton Rose Fulbright
Los Angeles, California

Financial Advisor

Isom Advisors, a Division of Urban Futures, Inc.
Walnut Creek, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

Paying Agent

U.S. Bank National Association
Los Angeles, California

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This Official Statement does not constitute an offer to sell, 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. No dealer, broker, salesperson or other person has been authorized by the Delano Joint Union High School District (the "District") to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District.

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 described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein, other than that provided by the District, 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 opinion 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. Although certain information set forth in this Official Statement has been provided by the County of Kern (the "County"), the County has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth under the caption "THE KERN COUNTY TREASURY POOL."

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 OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY 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 DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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.

$23,000,000*
DELANO JOINT UNION HIGH SCHOOL DISTRICT
(County of Kern and County of Tulare, California)
2014 General Obligation Refunding Bonds
(Election of 2005, Series A)

INTRODUCTION

The Delano Joint Union High School District $23,000,000* 2014 General Obligation Refunding Bonds (Election of 2005, Series A) (the "Bonds") are being issued to: (i) refund a portion of the District's $27,500,000 General Obligation Bonds 2005 Election, Series A of which $23,645,000 is presently outstanding and $22,995,000 is subject to redemption (the "Refunded Bonds") on a current basis and (ii) pay certain costs of issuance associated therewith, as more fully described herein under the caption "PLAN OF REFUNDING." The Bonds are issued on a parity with all other general obligation bonds issued by or on behalf of the District.

The District was established in 1911 and serves an area of approximately 11 square miles located in the north central section of the County of Kern, California (the "County") and the south eastern section of the County of Tulare, California, including the City of Delano and adjacent communities of Earlimart, Pond and Richgrove. The District currently operates four high schools and one adult school serving approximately 4,100 high school students and 600 adult school students, respectively. The District's average daily attendance for fiscal year 2013-14 is 4,028 students. Current year funding is based on the average daily attendance of the prior fiscal year of 4,108.28. The District has a 2013-14 assessed valuation of $3,285,279,264. Excerpts from the District's audited financial statements for the fiscal year ended June 30, 2013, are attached hereto as APPENDIX C. For further information concerning the District, see "APPENDIX A – THE DELANO JOINT UNION HIGH SCHOOL DISTRICT" and "APPENDIX C – SELECTED INFORMATION FROM DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2013" herein.

THE BONDS

Authority for Issuance and Security for the Bonds

The Bonds are general obligations of the District. The Bonds are being issued by the District under the provisions of Article 9 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Government Code") and pursuant to a resolution of the Board of Trustees of the District (the "Board") adopted on May 13, 2014 (the "Resolution").

Purpose of Issue

The District intends to use the proceeds from the sale of the Bonds (i) to refund the Refunded Bonds and (ii) to pay all legal, financial and contingent costs in connection with the issuance of the Bonds. See "PLAN OF REFUNDING" below.

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* Preliminary; subject to change.

Description of the Bonds

The Bonds will be issued in the form of current interest bonds in denominations of $5,000 or any integral multiple thereof, and will mature on the dates and in the amounts and pay interest at the rates per annum, all as set forth on the inside cover page of this Official Statement.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by U.S. Bank National Association, as paying agent (the "Paying Agent"), to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. Payments of principal, and premium, if any, for any Bonds shall be made only upon the surrender of such Bonds to the Paying Agent. See "APPENDIX E – BOOK ENTRY ONLY SYSTEM" herein.

Interest

The Bonds will bear interest at the rates set forth on the inside cover page of this Official Statement, payable semiannually on each February 1 and August 1, commencing August 1, 2014 (each, a "Bond Payment Date") until the principal sum of the Bonds has been paid.

Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless:

(i) It is authenticated on a Bond Payment Date, in which case it will bear interest from such date of authentication; or

(ii) It is authenticated prior to a Bond Payment Date and after the close of business on the Record Date (defined below) preceding such Bond Payment Date, in which event it will bear interest from such Bond Payment Date; or

(iii) It is authenticated prior to the Record Date preceding the first Bond Payment Date, in which event it will bear interest from the Closing Date;

provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond will bear interest from the Bond Payment Date to which interest has previously been paid or made available for payment thereon.

Payments of Interest and Principal

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 thereof as of the Record Date immediately preceding such Bond Payment 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. An Owner of Bonds 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 shall be payable upon maturity or redemption upon surrender at the principal office of the Paying Agent. The interest, principal and redemption premiums, if any, on the Bonds shall be payable in lawful money of the United States of America.

"Record Date" means the close of business on the fifteenth day of the month preceding each Bond Payment Date.

Estimated Sources and Uses of Funds

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

Sources of Funds	
Par Amount of Bonds	$
Net Original Issue Premium	
Total Sources	$
Uses of Funds	
Deposit to Escrow Fund	$
Payment of Costs of Issuance(1)	
Total Uses	$

(1) Includes payment of [bond insurance premium, if any] Underwriter's discount, legal fees, paying agent, escrow agent, verification agent and financial advisory fees and other costs of issuance.

Optional Redemption*

The Bonds maturing on or before August 1, 2024 are not subject to optional redemption prior to their scheduled maturity dates. The Bonds maturing on and after August 1, 2025 are subject to optional redemption on any date on or after August 1, 2024, at a price of par, plus accrued interest.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 20 days prior to the date designated for such redemption, shall select Bonds for redemption as directed by the District, or, in the absence of such direction, in inverse order of maturity within a series. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall 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

When redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District given at least 20 days prior to the date designated for such redemption, shall give notice (each, a "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice shall 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 or accretion rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, and that from and after such date interest with respect thereto shall cease to accrue or accrete and be payable.

The Paying Agent shall take the following actions with respect to such Redemption Notice: (i) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the Owners of Bonds designated for redemption by first class mail, postage prepaid, at their addresses appearing in the Bond Register; (ii) in the event that the Bonds shall no longer be held in book-entry only form, at least two days before the date of the notice described in clause (i) above, such Redemption Notice shall be given by (1) first class mail, postage prepaid, (2) telephonically confirmed facsimile transmission, or (3) overnight delivery service, to each of the Securities Depositories (as defined in the Resolution).

Conditional Notice. Any notice of optional redemption of the Refunding Bonds may be conditional, and if any condition stated in such notice of redemption shall not have been satisfied on or prior to the redemption date: (i) said notice shall be of no force and effect, (ii) the District shall not be required to redeem such Bonds, (iii) the redemption shall not be made and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons in the manner in which the conditional notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

Any notice given pursuant to this section may be rescinded by written notice given to the Paying Agent by the District, and the Paying Agent shall provide notice of such rescission as soon thereafter as practicable in the same manner, and to the same recipients, as notice of such redemption was given, but in no event later than the date set for redemption.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear the CUSIP number identifying, by series and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Partial Redemption of Bonds

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

Effect of Notice of Redemption

Notice having been given as required in the Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside in the District's Debt Service Fund, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable.

Transfer and Exchange

Any Bond may be exchanged for Bonds of like tenor, series, maturity and principal amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or 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 like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing or accreting interest at the same rate and maturing on the same date.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased 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 then on deposit in the Debt Service Fund is sufficient to pay all Bonds outstanding and designated for defeasance, including all Principal and interest and premium, if any; or

(b) United States Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable United States 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 then on deposit in 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 represented thereby and prepayment premiums, if any) at or before their maturity date;

then, notwithstanding that any of such 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.

For purposes of the above provisions, “United States Obligations” shall mean:

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, including (in the case of direct and general obligations of the United States of America) 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 wherein (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 in the highest or second highest rating category by Standard & Poor’s or by Moody’s Investors Service.

Book-Entry Only System

The Bonds will be issued under a book-entry system, evidencing ownership of the Bonds in principal amounts of $5,000 or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC. For further information regarding DTC and the book-entry system, see APPENDIX E hereto.

Continuing Disclosure Agreement

In accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) in the form of APPENDIX D hereto, on or prior to the sale of the Bonds in which the District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein.

[Remainder of this page intentionally left blank]

Debt Service Schedule

The following table summarizes the debt service requirements of the District for all of its currently outstanding general obligation bonds, which include bonds issued under the authorization received in 2005 (the "Existing Bonds") and the Bonds:

Bond Year Ending August 1	Existing Bonds[1] [2]	The Bonds Principal	The Bonds Interest	Total Debt Service
2014	$ 4,232,701			
2015	2,506,738			
2016	2,505,460			
2017	2,516,636			
2018	2,513,970			
2019	2,523,345			
2020	2,523,695			
2021	2,529,368			
2022	2,521,635			
2023	2,520,953			
2024	2,511,403			
2025	2,513,075			
2026	2,522,773			
2027	2,518,810			
2028	2,545,093			
2029	2,130,273			
2030	2,126,268			
2031	1,682,705			
2032	1,781,730			
2033	739,138			
2034	738,200			
2035	740,250			
Total	$49,444,215			

(1) The District's 2003 General Obligation Refunding Bonds, Series A have a bond year Ending February 1.
(2) Excludes those portions of the General Obligation Bonds, 2005 Election, Series A that will be refunded.

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District, and the Boards of Supervisors of the County of Kern and the County of Tulare have the power and are obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the respective County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of the principal of and interest on the Bonds. No further general obligation bonds may be issued under the Authorization. All general obligation bonds of the District are issued on a parity with one another. See "APPENDIX A – THE DELANO JOINT UNION HIGH SCHOOL DISTRICT" herein for further information regarding the assessed valuation and property tax collection information within the District.

BOND INSURANCE

The District has applied for municipal bond insurance for the scheduled payment of principal of and interest on the Bonds when due which, if purchased, would be issued concurrently with the delivery of the Bonds.

PLAN OF REFUNDING

The District intends to apply the proceeds of the sale of the Bonds to refund the Refunded Bonds and to pay costs of issuance of the Bonds.

Pursuant to the terms of that certain Escrow and Deposit Agreement, dated as of June 1, 2014 (the "Escrow Agreement"), by and between the District and U.S. Bank National Association, as escrow agent (the "Escrow Agent"), an escrow fund (the "Escrow Fund") will be established with the deposit of net proceeds of sale of the Bonds. Amounts on deposit in the Escrow Fund will be applied to pay the redemption price of the Refunded Bonds on August 1, 2014, the first date for which redemption of the Refunded Bonds may be scheduled following the date of delivery of the Bonds. Prior to the redemption of the Refunded Bonds, the amounts deposited to the Escrow Fund will be invested as set forth in the Escrow Agreement.

Causey Demgen & Moore P.C., certified public accountants, will issue their report (the "Verification Report") respecting the amounts available in the Escrow Fund, to the effect that such amounts are sufficient in time and amount to pay the redemption prices of the Refunded Bonds. Pursuant to their terms, upon the funding of the Escrow Fund and the delivery of the Verification Report, the Refunded Bonds will no longer be deemed outstanding.

FUNDING OF EDUCATION IN CALIFORNIA

State Funding of Education

The State Constitution requires that from all State revenues there will first be set apart the moneys to be applied by the State for support of the public school system and public institutions of higher education. As discussed below, school districts in the State receive a significant portion of their funding from State appropriations. **Bond proceeds from voter approved measures, such as the District's November 8, 2005 General Obligation Bond Election, and the *ad valorem* taxes levied to pay them are separate from District operating revenues.**

The operating income of school districts in California is comprised of two components: a State portion funded from the State's general fund and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution. School districts may also be eligible for special categorical funding from State and federal government programs.

Local Control Funding Formula. As part of the 2013-14 State Budget (defined herein), State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97") was enacted to establish a new system for funding school districts, charter schools and county offices of education by the implementation of the Local Control Funding Formula or LCFF, to replace the revenue limit funding system for determining State apportionments and the majority of categorical program funding. Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49). The LCFF consists primarily of base, supplemental and concentration funding that focuses resources based on a school district's student demographics. Each school district and charter school will receive a per pupil base grant used to support the basic costs of instruction and operations. The implementation of the LCFF is to occur over a period of several years (and by 2021 or earlier), beginning in Fiscal Year 2013-14 when an annual transition adjustment is to be calculated for each school district, equal to such district's proportionate share of appropriations included in the 2013-14 State Budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. The Governor's Department of Finance estimates the LCFF funding targets could be achieved in eight years, with LCFF being fully implemented by 2020-21. School districts will have the same proportion of their respective funding gaps closed in each year, with funding amounts that vary in accordance with the size of each district's funding gap. See the "2013-14 State Budget" herein for a further discussion of the LCFF and its accountability provisions.

The LCFF includes the following components:

- An average base grant for each local education agency equivalent to $7,643 per unit of average daily attendance ("ADA") (by the end of the implementation period). This amount includes an adjustment of 10.4% to the base grant to support lowering class sizes in grades K‑3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in high schools. It should be noted that the authorizing LCFF statute, AB 97, provides for a differentiated base grant amount according to four different grade spans: K-3, 4-6, 7-8, and 9-12. Unless otherwise collectively bargained for, following full implementation of the LCFF, school districts must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site so as to continue receiving its adjustment to the K-3 base grant. Such K-3 school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement Block Grant and the Home-to-School Transportation programs during Fiscal Year 2012-13.

- A 20% supplemental grant for students classified as English learners ("EL"), those eligible to receive a free or reduced price meal ("FRPM") and foster youth, to reflect increased costs associated with educating those students. These supplemental grants are only attributed to each eligible student once, and the total student population eligible for the additional funding is known as an "unduplicated count."

- An additional concentration grant equal to 50% of a local education agency's base grant, based on the number of unduplicated EL, FRPM and foster youth served by the local agency that comprise more than 55% of the school district's or charter school's total enrollment. The District's unduplicated pupil count percentage is estimated at 86% based on the number of students qualifying for free or reduced priced meals (based on data as reported on the National School Lunch Program application), English learners, and/or foster youth.

- An "Economic Recovery Target" to ensure that almost every local education agency receives at least their pre‑recession funding level, adjusted for inflation, at full implementation of the LCFF.

Of the more than $25 billion in funding to be invested through the LCFF over the next eight years, the vast majority of new funding will be provided for base grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to base grants, 10 cents will go to supplemental grants, and 6 cents will go to concentration grants. Under the 2013-14 Budget, the average base grant is $7,643, which is an increase of $2,375 from the current average revenue limit. Base grants are to be adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among base grants are linked to differentials in Statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the eight-year implementing period of the LCFF. The District does not qualify for the ERT add-on.

The sum of a school district's adjusted base, supplemental and concentration grants will be multiplied by such district's Second Principal Apportionment (P-2) ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the State Legislature to school districts.

The new legislation includes a "hold harmless" provision which provides that a school district or charter school will maintain total revenue limit and categorical funding at its fiscal year 2012-13 level, unadjusted for changes in ADA, or cost of living adjustments.

A summary of the target LCFF funding amounts for California school districts and charter schools based on grade levels and targeted students classified as English learners, those eligible to receive a free or reduced price meal, foster youth, or any combination of these factors ("unduplicated" count) is shown below:

California School Districts and Charter Schools
Grade Span Funding at Full LCFF Implementation

Grade Span	Base Grant	K–3 Class Size Reduction and Grades 9-12 Adjustments	Average Assuming 0% Unduplicated FRPM, EL, Foster Youth	Average Assuming 25% Unduplicated FRPM, EL, Foster Youth	Average Assuming 50% Unduplicated FRPM, EL, Foster Youth	Average Assuming 100% Unduplicated FRPM, EL, Foster Youth
K–3	$6,845	$712	$7,557	$7,935	$8,313	$10,769
4–6	6,947	N/A	6,947	7,294	7,642	9,899
7–8	7,154	N/A	7,154	7,512	7,869	10,194
9–12	8,289	216	8,505	8,930	9,355	12,119

FRPM = eligible to receive a free or reduced-price meal; EL = English learners;
Source: California Department of Education

LCFF and the District

It is anticipated that the District will receive increased revenues as a result of the LCFF due to the District's high proportion of students who are EL, FRPM eligible or foster youth. The District's fiscal year 2013-14 amended Budget reflected increased revenues (restricted and unrestricted) of $3.17 million, due in large part to the LCFF. The LCFF funds the District receives may be spent on a District-wide basis, provided the District identify the District-wide services and describe how these services meet the District's goals for the targeted students. The District is aware of certain risks associated with the LCFF, including future State budget challenges in the event of an economic recession and the impact of Proposition 30 revenues after the temporary sales and income taxes expire at the end of 2016 and 2018, respectively; the inability to collect all income eligibility survey forms to determine student demographics and student free and reduced priced meal status, as well as shifts in student demographic and enrollment counts, transition year expenses, and intervention by the California Department of Education in connection with school districts that are unable to demonstrate increased and improved services for students targeted by the LCFF.

Actual funding in fiscal year 2013-14 and subsequent years is based on the difference between the District's funding floor and its LCFF target (the LCFF gap). For the 2013-14 fiscal year (as of the Second Interim), the District received $32 million in its funding floor amount plus a portion of its LCFF gap, which was equivalent to $1.86 million, for a total 2013-14 Annual LCFF Allocation of $34,317,591. (See table on the following page.) At the time of adoption of the LCFF statute, the State Department of Finance estimated that the portion of the gap that would be funded would be 11.78% in 2013-14, 16.49% in 2014-15, and 18.69% in 2015-16. As part of the Governor's budget proposal for 2014-15, the Department of Finance has revised its projections and increased the gap funding provided to 28.05% in 2014-15, 33.95% in 2015-16, and a projected 21.67% in 2016-17. These higher LCFF gap funding percentages could result in the LCFF targets being reached in a more consistent pace. Each fiscal year thereafter, the District's funding amount will be based on recalculation of its LCFF target and its funding floor including any prior year transition funding converted to a per-ADA value and then adjusted for current year ADA. As LCFF continues to be implemented, the District's base, supplemental and concentration grant funding will increase in an effort to bring the District's total funding to its overall LCFF target. This increased funding will provide additional resources for the District to invest in academic, programmatic and operational purposes, while providing a more positive fiscal outlook.

The following table sets forth the District's projected ADA of unduplicated EL, FRPM, and foster youth for fiscal years 2013-14 through 2016-17, the District's projected target LCFF funding amounts at full implementation (which represents a combined total of base grant, K-3 class size reduction and grades 9-12 adjustments, supplemental and concentration grant funding, each calculated by grade span), projected annual LCFF allocation and gap funding for fiscal years 2013-14 through 2020-21. The unduplicated pupil count of EL, FRPM, and foster youth figures are dependent upon the District's collection of "Income Eligibility" and other survey forms from District students. Note that such data assumes an unduplicated count of EL, FRPM and foster youth of 86% of enrollment for each of the fiscal years, based on current survey form collections. Survey form data was due to the State by March 21, 2014. The following information consists of projections only, based on second interim reports and current survey collections, and is subject to change.

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DELAND JOINT UNION SCHOOL DISTRICT
Projected LCFF Target at Full Implementation,
Annual LCFF Allocation and Gap Funding
(Assumes 86% Unduplicated Free Reduced Price Meal,
English Learner and Foster Youth Students ADA)
Fiscal Years 2013-14 Through 2017-2018[1][2]

Fiscal Year	ADA[3]	LCFF Target at Full Implementation	Annual LCFF Allocation	Gap Funding Included in Annual LCFF Allocation	Remaining Gap
2013-14	4,028.12	$48,302,617	$34,317,591	$1,867,418	$13,985,026
2014-15	3,949.17	47,772,228	37,713,381	3,921,482	10,058,847
2015-16	3,871.77	47,819,057	40,747,844	3,634,635	7,071,213
2016-17	3,795.88	47,954,600	41,792,864	1,704,644	6,161,736
2017-18	-- [4]				

(1) Preliminary and projected figures for fiscal years 2013-14 through 2020-21.
(2) For purposes of calculating supplemental and concentration grants, a school district's fiscal year 2013-14 percentage of unduplicated EL, FRPM, and foster youth students will be expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL, FRPM, and foster youth enrollment will be based on the two-year average of EL, FRPM, and foster youth enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL, FRPM and foster youth students will be based on a rolling average of such district's EL, FRPM, and foster youth enrollment for the then-current fiscal year and the two immediately preceding fiscal years. This table assumes 86% of District enrollment is comprised of unduplicated EL, FRPM, and foster youth students for each of the fiscal years listed, based on survey cards collected as of March 21, 2014.
(3) ADA as of the second principal reporting period (P-2 ADA). Excludes charter schools.
(4) ADA projections for fiscal years 2017-18 and beyond are not currently available.
Source: The District.

Local Control and Accountability Plan ("LCAP"). As part of the LCFF, school districts, county offices of education, and charter schools are required to develop, adopt and annually update a three-year Local Control and Accountability Plan or "LCAP," beginning on July 1, 2014, using a template adopted by the California State Board of Education ("SBE"). The SBE is required to adopt evaluation rubrics to assist school districts and oversight entities in evaluation strengths, weaknesses, areas that require improvement, technical assistance needs, and where interventions are warranted on or before October 1, 2015. Subsequent revisions to the template or evaluation rubrics are required to be approved by the SBE by January 31 before the fiscal year when the template or rubric would be used. The LCAP is required to identify goals and measure progress for student subgroups across multiple performance indicators.

Education Funding Prior to 2013-14. Historically, annual State apportionments of basic and equalization aid to school districts for general purposes have been computed up to a revenue limit per unit of average daily attendance ("ADA"). Such apportionments generally amounted to the difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among California school districts. As described above, with the implementation of the LCFF, commencing in fiscal year 2013-14, school districts will receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target.

State Assistance

The District's principal funding formulas and revenue sources are derived from the budget of the State of California. The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. ***The State has not entered into any contractual commitment with the District, the Underwriter or the Owners of the Bonds to provide State budget information to the District or the Owners of the Bonds. Although they believe the State sources of information listed above are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov.***

2013-14 State Budget. Governor Brown signed the final 2013-14 State Budget (the "2013-14 Budget") into law on June 27, 2013. The centerpiece of the 2013-14 Budget is the restructuring of the State's funding formula for K-12 schools through the implementation of the "Local Control Funding Formula" (the "LCFF"). The 2013-14 Budget allocates $2.1 billion to commence transitioning the State to the new formula, allocating proportionately more money to school districts with high levels of low-income students, those with limited English proficiency and foster children. Overall, the 2013-14 Budget boosts K-12 and community college funding to $55.3 billion while giving the University of California and California State University systems an additional $125 million each. The 2013-14 Budget also restores $63 million to the State court system that was subject to significant budget cuts in recent years and moves forward with the State-based approach to the optional expansion of care allowed under the Federal healthcare reform which will significantly increase health care coverage in the State.

> ***Proposition 98.*** The 2013-14 Budget provides that the Proposition 98 guarantee will be $55.3 billion for fiscal year 2013-14, an increase of more than $8 billion over the fiscal year 2011-12 level, and projects an increase in Proposition 98 funding for K-12 schools of approximately $20 billion from fiscal year 2011-12 through fiscal year 2016-17, representing an increase of approximately $2,800 per student.
>
> ***Local Control Funding Formula.*** As described in more detail herein under the heading "State Funding of Education," the adoption of the 2013-14 State Budget and its related implementing legislation included significant reforms to education finance in the State with the adoption of the LCFF. The LCFF moves from a State-controlled system that emphasizes inputs to a locally-controlled system focused on improved outcomes. Local education agencies will decide the best way to target funds but will be required to increase or improve services for English learner, low income, and foster youth students in proportion to supplemental and concentration grant funding. Additionally, the new system is designed to align the State's accountability structure with the existing local budget process. All school districts, county offices of education, and charter schools will be required to develop and adopt local control and accountability plans ("LCAP"), which will identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate. County superintendents will be required to review and provide support to the districts under their jurisdiction. The Superintendent of Public Instruction will perform a corresponding role for county offices of education. In addition, the 2013-14 Budget creates the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans.

Significant K-12 Adjustments:

LCFF. An increase of $2.1 billion Proposition 98 General Fund for school districts and charter schools, and $32 million Proposition 98 General Fund for county offices of education, to support first-year funding provided through the LCFF.

Common Core Implementation. An increase of $1.25 billion in one-time Proposition 98 General Fund to support the implementation of the Common Core-new standards for evaluating student achievement in English-language arts and math. Funding will be distributed to local education agencies on the basis of enrollment to support necessary investments in professional development, instructional materials, and technology.

Career Technical Education Pathways Grant Program. An increase of $250 million Proposition 98 General Fund for one-time competitive capacity-building grants for K-12 school districts and community colleges to support programs focused on work-based learning. K-12 schools and community colleges must obtain funding commitments from program partners to support ongoing program costs.

K-12 Mandates Block Grant. An increase of $50 million Proposition 98 General Fund to reflect the inclusion of the Graduation Requirements mandate within the block grant program. This increase will be distributed to school districts, county offices of education and charter schools with enrollment in grades 9-12.

K-12 Deferrals. An increase of $1.6 billion Proposition 98 General Fund in 2012-13 and an increase of $242.3 million Proposition 98 General Fund in 2013-14 for the repayment of inter-year budgetary deferrals. When combined, total funding over the two-year period will reduce K-12 inter-year deferrals to $5.6 billion by the end of the 2013-14 fiscal year. This will reduce total outstanding deferrals by more than 40% of their peak value, when more than $9.5 billion was deferred.

Proposition 39 Implementation. The 2013-14 Budget allocates $381 million Proposition 98 General Fund to K-12 local education agencies to support energy efficiency projects approved by the California Energy Commission. Of this amount, 85% will be distributed based on ADA and 15% will be distributed based on free and reduced-price meal eligibility. The 2013-14 Budget establishes minimum grant levels of $15,000 and $50,000 for small and exceptionally small local education agencies and allows these agencies to receive an advance on a future grant allocation. The 2013-14 Budget will provide other local education agencies the greater of $100,000 or their weighted distribution amount. The 2013-14 Budget provides $28 million for interest-free revolving loans to assist eligible energy projects at schools and community colleges. Additionally, the 2013-14 Budget appropriates $3 million to the California Workforce Investment Board to develop and implement a competitive grant program for eligible workforce training organizations that prepare disadvantaged youth or veterans for employment in energy related fields.

Special Education Funding Reform. The 2013-14 Budget includes several consolidations for various special education programs in an effort to simplify special education finance and provide Special Education Local Plan Areas with additional funding flexibility.

<u>Governor's Proposed 2014-15 State Budget</u>. The Governor's proposed 2014-15 State Budget (the "Proposed 2014-15 Budget") was released on January 9, 2014 and includes: (i) spending of $154.9 billion from all funds, including $106.8 billion from the General Fund; (ii) a proposed reduction in the

State's long-term debt by more than $11 billion in 2014-15, fully eliminating such long-term debt by 2017-18; (iii) proposed repayment of approximately $6 billion in deferred payments to K-12 schools; (iv) a contribution of $1.6 billion to a "rainy day fund" to protect against future economic downturns; (v) an increase in K-12 school funding levels (as further detailed herein); and (vi) $670 million in new General Fund spending to fund the expansion of Medi-Cal benefits, including mental health, substance use disorder, adult dental, and specialized nutrition services. In addition, the Proposed 2014-15 Budget projects $217.8 billion in retirement-related unfunded liabilities. Combined with the other liabilities, the total long term State liabilities stand at $354.5 billion.

For K-12 schools, the Proposed 2014-15 Budget includes (i) an increase in funding levels by $3,410 per student through fiscal year 2017-18, including an increase of more than $2,188 per student in fiscal year 2014-15 over fiscal year 2011-12 levels; (ii) Proposition 98 funding of $61.6 billion for fiscal year 2014-15, an increase of $6.3 billion over the 2013 Budget Act level; (iii) when combined with increases of $3.4 billion fiscal years 2012-13 and 2013-14, a $9.7 billion investment in K-14 education; (iv) elimination of all remaining budgetary deferrals; and (v) proposed repayment of approximately $6.4 billion in remaining K-14 deferred payments to eliminate additional borrowing costs to be borne by schools and California Community Colleges ("CCCs") as a result of deferrals.

Local Control Funding Formula. The Proposed 2014-15 Budget provides a second-year investment of $4.5 billion in the LCFF, to eliminate more than 28 percent of the remaining funding gap under the LCFF funding as well as proposed legislation to create a continuous appropriation for LCFF funding so that the LCFF continues to be implemented on schedule in future years.

K-12 School Facilities. The Proposed 2014-15 Budget also includes the following investments in school facilities of nearly $400 million: (i) the transfer of $211 million of remaining School Facility Program bond authority from specialized programs to core new construction ($105.5 million) and modernization programs ($105.5 million) to continue construction of new classrooms and modernization of existing classrooms for districts that have awaited funding; and (ii) $188.1 million of one-time Proposition 98 General Fund to the Emergency Repair Program to provide grants or reimbursement to local educational agencies for the cost of repairing or replacing building systems that pose a health and safety threat to students and staff at eligible school sites.

Proposition 98. The Proposed 2014-15 Budget reflects recent significant increases in Proposition 98 funding, projecting total per-pupil expenditures from all sources to be $11,985 in fiscal year 2013-14 and $12,833 in fiscal year 2014-15, and ongoing K-12 Proposition 98 per-pupil expenditures of $9,194 in fiscal year 2014-15 (increasing from $8,469 per-pupil in fiscal year 2013-14, and $7,006 in fiscal year 2011-12). The Proposed 2014-15 Budget proposes an increase of $46.5 million in Proposition 98 General Fund to implement Chapter 489, Statutes of 2013 (AB 484), which established a revised student assessment system aligned to the new state standards.

Energy Efficiency Investments. The Proposed 2014-15 Budget allocates $363 million of energy efficiency funds in fiscal year 2014-15 as follows: (i) $316 million to K-12 school districts for energy efficiency project grants; (ii) $5 million to the California Conservation Corps for continued technical assistance to K-12 school districts; and (iii) $3 million to the Workforce Investment Board for continued implementation of the job-training program.

Significant Adjustments. Other significant adjustments included in the Proposed 2014-15 Budget affecting K-12 school districts include the following:

- ***K-12 Deferrals***. An increase of more than $2.2 billion Proposition 98 General Fund in fiscal year 2014-15, when combined with the $3.3 billion Proposition 98 General Fund provided from fiscal years 2012-13 and 2013-14 funds, to eliminate all remaining outstanding deferral debt for K-12.

- ***LCFF***. Additional growth of approximately $4.5 billion in Proposition 98 General Fund for school districts and charter schools in fiscal year 2014-15, an increase of 10.9 percent.

- ***Charter Schools***. An increase of $74.3 million Proposition 98 General Fund to support projected charter school ADA growth.

- ***Special Education***. A decrease of $16.2 million Proposition 98 General Fund to reflect a decline in Special Education ADA.

- ***COLA Increases***. $33.3 million to support a 0.86 percent COLA for categorical programs that remain outside of the new student funding formula, including Special Education, Child Nutrition, American Indian Education Centers, and the American Indian Early Childhood Education Program.

- ***Emergency Repair Program***. An increase of $188.1 million in one-time Proposition 98 General Fund resources for the Emergency Repair Program.

- ***Local Property Tax Adjustments***. An increase of $287.1 million Proposition 98 General Fund for school district and county office of education LCFFs in fiscal year 2013-14 to offset lower property tax revenues and a decrease of $529.7 million in Proposition 98 General Fund for school districts and county offices of education in fiscal year 2014-15 to offset increased local property tax revenues.

- ***Average Daily Attendance***. A decrease of $214.5 million in fiscal year 2013-14 for the school district and county office of education LCFFs as a result of a decrease in projected ADA from the 2013 Budget Act. A decrease of $42.9 million in fiscal year 2014-15 for school districts and county offices of education as a result of projected decline in ADA for fiscal year 2014-15.

Legislative Analyst's Office Overview of the Proposed 2014-15 Budget. The Legislative Analyst's Office ("LAO") overview of the Proposed 2014-15 Budget (the "LAO Overview"), released January 13, 2014, generally praised the Proposed 2014-15 Budget including the Governor's focus on deferrals and other means of lowering the State's "wall of debt." The LAO Overview includes a revenue forecast of $6.4 billion in higher revenues for the State in fiscal years 2012-13 and 2013-14 combined, offset by $5 billion in increased expenditures, almost entirely due to greater required spending for schools and CCCs. Combined with a projected $3.2 billion operating surplus for the State in fiscal year 2014-15, the LAO projects that, absent any changes to current laws and policies, the State would end fiscal year 2014-15 with a $5.6 billion reserve. The LAO Overview assumes continued economic growth in future years and that State General Fund revenues will grow faster than expenditures through 2017-18, when the State's projected operating surpluses reach $9.6 billion. The LAO notes that the State's temporary personal income tax rate increases under Proposition 30 expire at the end of 2018, resulting in a more gradual ramping down of these revenues over the last two fiscal years of the LAO forecast.

Despite the large surplus projected by the LAO over the forecast period, the LAO also notes that the fiscal recovery is dependent on a number of assumptions including continuing economic growth and steady growth in stock prices. The LAO cautions that (i) an economic downturn within the next few years could result in a return to operating deficits, (ii) volatility of capital gains could depress annual revenues, and (iii) the LAO forecast assumes the State repays liabilities with payment schedules set in current law. Other liabilities, including certain items on the Governor's "wall of debt" and the State's retirement liabilities (particularly those related to the California State Teachers' Retirement System), remain unpaid under the LAO forecast. If additional payments are made in the future to repay these liabilities or to provide inflation adjustments to universities, the courts, State employees, and other programs, the operating surpluses in the LAO forecast would fall significantly below the LAO's projections.

The LAO also notes that the 2013-14 State Budget assumed that fiscal year 2012-13 would end with a $254 million reserve, however the LAO's General Fund revenue forecast for fiscal year 2012-13 projects $1.65 billion in higher revenues for fiscal year 2012-13, principally due to personal income tax collections. The LAO's higher revenue forecast results in $1.75 billion in additional General Fund expenditures under the Proposition 98 minimum guarantee. The LAO recognizes that the 2013-14 State Budget assumed the State would end fiscal year 2013-14 with a reserve of $1.1 billion, while the LAO estimates that reserve to be $2.4 billion.

The LAO forecasts that Proposition 98 General Fund spending will be $3.1 billion higher than the amount provided in the Proposed 2014-15 Budget due to the LAO's forecast of higher State revenues. The LAO notes that per-student spending would rise from $7,936 in the current fiscal year to $8,724 in Fiscal Year 2014-15, an increase of $788 or 10 percent, while the Proposed 2014-15 Budget includes a lower per-student spending increase of $725 from $8,469 to $9,194 for Fiscal Year 2014-15. The Proposed 2014-15 Budget estimates that the State could afford to fully implement the LCFF for school districts by Fiscal Year 2020-21, however, the LAO forecasts that the State will be unable to meet the time frame for school districts, even given the projected increases in the minimum guarantee.

The LAO suggests several alternatives on education spending proposals set forth in the Proposed 2014-15 Budget:

- The LAO notes that, in connection with the "rainy day" reserve proposed in the Proposed 2014-15 Budget, the reserve is to be funded when receipts from the tax on capital gains amount to more than 6.5 percent of the State's general revenue. The LAO suggests that the State Legislature not lock into the 6.5 percent threshold and be sure to gain a better understanding of how the "rainy day" fund and the Proposition 98 requirements would work together.

- The LAO notes that increases in LCFF funding are made at the discretion of the State Legislature and must be approved in the State's annual budget. However, the LAO notes that the Proposed 2014-15 Budget provides that the State Legislature, effectively, would have no role in making this key LCFF determination moving forward. The LAO is concerned that an approach removing the Legislature's discretion to appropriate funding and make key budget decisions and recommends that the State Legislature reject this proposal.

- The LAO recommends setting aside a portion of higher-than-expected State revenue for future payments into CalSTRS commencing in Fiscal Year 2014-15 rather than Fiscal Year 2015-16.

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

May Revision to Proposed 2014-15 Budget. The May Revision to the Proposed 2014-15 Budget (the "May Revision") was released by the Governor on May 13, 2014 and reflects certain changes in the national and State economic outlook, the corresponding effects on revenues and the State's obligation to schools, increased costs for implementing federal health care reform and other spending adjustments. The May Revision reflects more than $2 billion in added costs over and above the Proposed 2014-15 Budget, including higher spending to provide health care coverage under Medi-Cal for a million more people. Certain details of these key proposals include:

- A net increase of $2.4 billion in expected revenues during Fiscal Years 2012-13 and 2014-15, largely driven by higher than expected personal income tax withholding, partnership income, and dividend income.

- Due to changes in State revenues, lower property taxes, and higher enrollment in K-12 schools, State General Fund costs for the Proposition 98 minimum guarantee for education have increased by $659 million. The May Revision includes $10 billion in new Proposition 98 resources for schools this year, including $4.5 billion to continue the implementation of the Local Control Funding Formula.

- The State's adoption of the optional expansion of Medi-Cal under the Affordable Care Act, the implementation of Federal health care reform and a 46 percent increase in Medi-Cal enrollment will bring significantly higher State costs. As a result, General Fund Medi-Cal costs will rise by $2.4 billion over two years, representing an additional General Fund cost of $1.2 billion compared to what was expected in the Proposed 2014-15 Budget.

- On February 20, 2014, the California Public Employees' Retirement System Board adopted new assumptions regarding the longer life expectancy of State retirees resulting in $1 billion phased in over three years with a cost in Fiscal Year 2014-15 of $430 million ($254 million General Fund).

- For Fiscal Year 2014-15, the May Revision sets aside $1.6 billion to make the final payment on the State's Economic Recovery Bonds and another $1.6 billion for the State's "Rainy Day Fund."

- The May Revision proposes a plan of shared responsibility among the State, school districts and teachers to shore up the State Teachers' Retirement System ("STRS"). The increased contributions in the first year from all three parties total about $450 million, but would grow thereafter to more than $5 billion annually in Fiscal Year 2020-21.

- The May Revision includes an additional $100 million to repay a portion of existing mandate reimbursement claims that have been owed to local governments since at least 2004.

The major features of the May Revision pertaining to K-12 school districts include (i) prioritizing available funding to repay all inter-year budgetary deferrals through a mix of ongoing Fiscal Year 2014-15 funds and one-time funds attributable to Fiscal Years 2012-13 and 2013-14; and (ii) a continued commitment to the LCFF by maintaining the $4.5 billion second-year-implementation investment in the formula, enough to eliminate more than 28 percent of the remaining funding gap. Significant adjustments in the May Revision affecting K-12 education include:

- Independent Study – A series of changes to the Proposed 2014-15 Budget proposal to streamline and expand instructional opportunities available through independent study including eliminating the requirement that certificated teachers and students meet weekly to assess student academic progress; providing schools with the ability to offer site-based blended learning and promoting equitable funding by funding students enrolled in course-based independent study programs on the basis of ADA and not enrollment.

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

- K-12 Deferrals – A combined net increase of $742.2 million in one-time Proposition 98 General Fund attributable to Fiscal Years 2012-13 and 2013-14 to accelerate the repayment of inter-year budgetary deferrals in those years, relative to the Governor's Budget. This acceleration will be offset by a reduction of $742.2 million in ongoing Proposition 98 General Fund for proposed deferral repayments in Fiscal Year 2014-15. When combined, total funding over the three-year period will eliminate all K-12 inter-year deferrals.

- Local Control Funding Formula: Unduplicated Pupils – The following changes to the calculation of unduplicated pupils under the LCFF: (i) in accordance with certain criteria, to authorize schools participating in the National School Lunch Program to establish base-year student eligibility for free or reduced-price meals no less than once every four years; (ii) to require the Superintendent of Public Instruction to revise a local educational agency's three-year rolling average unduplicated student enrollment percentage using Fiscal Year 2014-15 student data in place of Fiscal Year 2013-14 data, if this would increase the local educational agency's rolling average.

- Proposition 39 – Decreases the amount of energy efficiency funds available to K-12 schools in Fiscal Year 2014-15 by $9 million to $307 million to reflect reduced revenue estimates.

- Local Property Tax Adjustments – An increase of $83.9 million Proposition 98 General Fund in Fiscal Year 2014-15 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues.

- Average Daily Attendance – An increase of $103.1 million in 2013-14 and an increase of $121.1 million in Fiscal Year 2014-15 for school districts, charter schools and county offices of education as a result of an increase in projected ADA in both years.

- Categorical Program Growth – An increase of $15.3 million Proposition 98 General Fund for selected categorical programs based on updated estimates of projected ADA growth.

- State Teacher's Retirement System - A plan of shared responsibility among the State, school districts and teachers to shore up STRS. The increased contributions in the first year from all three parties total about $450 million, but would grow thereafter to more than $5 billion annually in Fiscal Year 2020-21.

Proposition 30. The passage of the Governor's November Tax Initiative ("Proposition 30") on November 6, 2012 ballot results in an increase in the State sales tax by a quarter-cent for four years and, for seven years, raising taxes on individuals after their first $250,000 in income and on couples after their first $500,000 in earnings. These increased tax rates will affect approximately 1 percent of California personal income tax filers and will be in effect starting in the 2012 tax year, ending at the conclusion of the 2018 tax year. The LAO estimates that, as a result of Proposition 30, additional State tax revenues of about $6 billion annually from 2012–13 through 2016–17 will be received by the State with lesser amounts of additional revenue available in fiscal years 2011–12, 2017–18, and 2018–19. These additional monies funded programs in the 2012-13 State Budget and prevented certain "trigger cuts" included in the 2012-13 State Budget from going into effect. Proposition 30 also placed into the State Constitution certain requirements related to the transfer of certain State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees, and providing substance abuse treatment services.

Revenues generated by Proposition 30 accounted for a 14 percent increase over fiscal year 2011–12 in funding for schools and community colleges as set forth in the 2012–13 State Budget. Almost all of this increase was used to pay K–14 expenses from the previous year and reduced delays in certain State K–14 payments. Proposition 30 also provides for additional tax revenues aimed at balancing the State's budget through 2018–19, providing several billion dollars annually through fiscal year 2018–19 available for purposes including funding existing State programs, ending K–14 education payment delays, and paying other State debts. Future actions of the State Legislature and the Governor will determine the use of these funds. According to the LAO, revenues raised by Proposition 30 could be subject to multibillion-dollar swings, above or below the revenues projections, due to the majority of the additional revenue coming from the personal income tax rate increases on upper-income taxpayers. These fluctuations in incomes of upper-income taxpayers will impact potential State revenue and could complicate State budgeting in future years. After the proposed tax increases expire, the loss of the associated tax revenues could create additional budget pressure in subsequent years.

New revenues generated from Proposition 30 are deposited into a newly created State account called the Education Protection Account ("EPA"). School districts, county offices of education, and charter schools ("LEAs") will receive funds from the EPA based on their proportionate share of the Statewide revenue limit amount. A corresponding reduction is made to an LEA's revenue limit equal to the amount of their EPA entitlement. LEAs will receive EPA payments quarterly beginning with the 2013-14 Fiscal Year. To allow time for the State to collect the increased tax revenues, EPA entitlements were not calculated for the 2012-13 Fiscal Year until June 2013. LEAs received their 2012-13 Fiscal Year EPA entitlement in one lump sum payment at the end of June 2013. Beginning fiscal year 2013-14, EPA payments are now disclosed on a quarterly basis.

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

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

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies. Redevelopment agencies, through the California Redevelopment Association (“CRA”) engaged in litigation to block the transfer of payments and recoup certain payments already made under certain legislation passed in July 2009 that is beyond the reach of Proposition 22, known as “ABX4 26.” Because Proposition 22 reduces the State’s authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State’s general fund.

Redevelopment Agency Dissolution. On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and K-14 school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to K-14 school districts and county offices of education, totaling $1.7 billion statewide. The District is unable to predict what affect the implementation of ABx1 26 will have on the District’s future receipt of tax increment revenues.

As a result of the dissolution of California redevelopment agencies and ABx1 26, the tax increment previously paid to redevelopment agencies shall first be used to pay pass-through payments to other taxing entities and second to pay the redevelopment agencies enforceable obligations; with the remaining revenue (if any) paid to the taxing entities by the County Auditor-Controller in the same proportion as other tax revenue.

Significant Accounting Policies and Audited Financial Statements

The California State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. Varinek, Trine, Day & Co., LLP serve as independent auditors to the District and excerpts of their report for the fiscal year ended June 30, 2013, are attached hereto as APPENDIX C. The District's auditors have not specifically approved the inclusion of such excerpts herewith.

California Assembly Bill 1200 ("A.B. 1200"), effective January 1, 1992, tightened the budget development process and interim financial reporting for school districts, enhancing the authority of the county schools superintendents' offices and establishing guidelines for emergency State aid apportionments. Many provisions affect District operations directly, while others create a foundation from which outside authorities (primarily state and county school officials) may impose actions on the District. Under the provisions of A.B. 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 fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. Each certification is based on then-current projections. The District currently holds a positive certification from the Kern County Office of Education for its budget submissions.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available on December 15th of the following fiscal year. For the District's most recent available audited financial statements, see "APPENDIX C."

Ad Valorem **Property Taxes**

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1, effective with the lien date of January 1, 1997. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. 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 certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Proposition 98

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

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

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

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

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

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

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

Supplemental Information Concerning Litigation Against the State of California

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

Financial Statements

The District's financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the Governmental Accounting Standards Board.

Funds used by the District are categorized as follows:

Governmental Funds	Fiduciary Funds
General Fund	Agency Funds
Building Fund	Scholarship Trust
Bond Interest and Redemption Fund	Internal Service Funds
Capital Project Funds	
Special Revenue Funds	

The General Fund of the District, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the District not financed by restricted funds and moneys which are restricted to specific types of programs or purposes. General Fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The financial statements included herein were prepared by the District using information from the Annual Financial Reports which are prepared by the Assistant Superintendent for the District and audited by independent certified public accountants each year. Excerpts from the District's audited financial statements for the year ending June 30, 2013, are attached hereto as APPENDIX C.

Budgets of District

The fiscal year of the District begins on the first day of July of each year and ends on the 30th day of June of the following year. The District adopts on or before July 1 of each year a fiscal line-item budget setting forth expenditures in priority sequence so that appropriations during the fiscal year can be adjusted if revenues do not meet projections.

The District is required by provisions of the California Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry-over fund balance from the previous year.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

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

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

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls, with tax rates expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the California Constitution

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

Unitary Property

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

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

California Lottery

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

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In 2012-13, the District received $725,577 in State Lottery aid and has budgeted $632,581 for such aid in 2013-14. The amount of additional revenues that may be generated by the State Lottery in any future year cannot be predicted.

Proposition 46

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

Proposition 39

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

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

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

Article XIIIC and XIIID of the California Constitution

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

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District's voters, depending upon the Article of the Constitution under which it is passed. Under previous law, the District could apply provisions of the Landscape and Lighting Act of 1972 to create an assessment district for specified purposes, based on the absence of a majority protest. Proposition 218 significantly reduces the ability of the District to create such special assessment districts. Any assessments, fees or charges levied or imposed by any assessment district created by the District will become subject to the election requirements of Proposition 218 as described above, a more elaborate notice and balloting process and other requirements.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and. ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in Rossi v. Brown by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6,1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the District's ability to pursue approval of a general obligation bond issue or a Mello-Roos Community Facilities District bond issue in the future, both of which are already subject to a 2/3 vote, although certain procedures and burdens of proof may be altered slightly.

The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 98, 46 and 39 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting the District's revenues or their ability to expend revenues.

THE KERN COUNTY TREASURY POOL

The following information concerning the Kern County Treasury Pool (the "Investment Pool" or "Pool") has been provided by the Treasurer and has not been confirmed or verified by the District or the Underwriter. No representation is made herein 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.

Under the California Education Code, the District is required to pay all monies received from any source into the County of Kern Treasury to be held on behalf of the District. The Pool consists of monies deposited with the Treasurer by County departments and agencies, school districts, certain non-County governmental agencies and special assessment districts. Most of the Pool's depositors are required by State law to invest their excess moneys in the Pool. Less than 5% of the Pool's market value is allocable to voluntary depositors.

Each depositor is assigned a distinct fund number within the Investment Pool. Cash represented by the fund balances is commingled in a Pooled Cash Portfolio for investment purposes; no funds are segregated for separate investment. Investments are selected from those authorized by California Government Code Section 53635 ("Code"). Authorized investments include obligations of the United States Treasury, agencies of the United States government, federally sponsored enterprises, local and State bond issues, bankers acceptances, commercial paper of prime quality, collateralized and negotiable certificates of deposit, repurchase and reverse repurchase agreements, medium term corporate notes, shares of beneficial interest in diversified management companies (mutual funds), and asset backed (including mortgage related) and pass-through securities.

The following table identifies the types of securities held by the Pool as of March 31, 2014.

KERN COUNTY
Treasury Pool Portfolio Composition
(as of March 31, 2014 – dollars rounded to nearest thousand)

Type of Investment	Par Value	Market Value	Cost
Pooled Funds	$ 41,421	$ 41,421	$ 41,421
JP Morgan STIF	45,000	45,000	45,000
Negotiable CD's	315,000	315,091	315,000
Commercial Paper – Discount	784,320	784,174	784,036
Federal Agency Issues – Coupon	807,550	804,813	809,905
Medium Term Notes	454,804	462,718	473,218
Asset Backed Securities – Coupon	10,000	10,496	11,119
Total Securities	$ 2,458,095	$ 2,463,714	$ 2,479,698
Cash in Banks	30,651	30,651	30,651
Total Assets	$ 2,488,746	$ 2,494,365	$ 2,510,349
Purchased Interest	119	119	119
Total Cash and Investments	$ 2,488,865	$ 2,494,484	$ 2,510,468

Source: Kern County Treasurer.

The maturity distribution of the Pool's portfolio as of March 31, 2014, is presented in the following table.

COUNTY OF KERN
Treasury Pool Portfolio Liquidity
(As of March 31, 2014)

Term to Maturity	% of Total Asset Cost
0 – 366 days	53.62%
367 – 1,097 days	29.13
1,098 – 1,827 days	17.25

Source: Kern County Treasurer.

Neither the District, the Financial Advisor nor the Underwriter has made an independent investigation of the investments in the Pool nor have they made any 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.

LEGAL MATTERS

The legal opinion of Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, Los Angeles, California, Bond Counsel to the District ("Bond Counsel"), attesting to the validity of the Bonds, will be supplied to the original purchasers of the Bonds without charge. A copy of the legal opinion will be attached to the Bonds. Bond Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

TAX MATTERS

Tax Exemption

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to maintain the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

Pursuant to the Resolution and in the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986*, to be delivered by the District in connection with the issuance of the Bonds, the District will make representations relevant to the determination of, and will make certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching its opinions described in the immediately preceding paragraph, Bond Counsel will assume the accuracy of such representations and the present and future compliance by the District with such covenants.

Except as stated in this section above, Bond Counsel will express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, Bond Counsel will express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds or the tax consequences of the ownership of the Bonds.

The opinion of Bond Counsel is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the District as the "taxpayer," and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from those of the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to bondholders of the exemption of interest on the Bonds from personal income taxation by the State of California or of the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

A copy of the form of opinion of Bond Counsel relating to the Bonds is included in APPENDIX B.

Tax Accounting Treatment of Bond Premium and Original Issue Discount on Bonds

To the extent that a purchaser of a Bond acquires that Bond at a price in excess of its "stated redemption price at maturity" (within the meaning of section 1273(a)(2) of the Code), such excess will constitute "bond premium" under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations); the amount of premium so amortized will reduce the owner's basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when its Bond is sold or disposed of for an amount equal to or in some circumstances even less than the original cost of the Bond to the owner.

The excess, if any, of the stated redemption price at maturity of Bonds of a maturity over the initial offering price to the public of the Bonds of that maturity is "original issue discount." Original issue discount accruing on a Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes and is exempt from California personal income tax to the same extent as would be stated interest on that Bond. Original issue discount on any Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such a Bond accruing during each period is added to the adjusted basis of such Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of Bonds who purchase such Bonds other than at the initial offering price and pursuant to the initial offering

Persons considering the purchase of Bonds with original issue discount or initial bond premium should consult with their own tax advisors with respect to the determination of original issue discount or amortizable bond premium on such Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Bonds.

Other Tax Consequences

Although interest on the Bonds may be exempt from California personal income tax and excluded from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel will express no opinion regarding any such other tax consequences.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners and Beneficial Owners of the Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system (the "EMMA System") or such other electronic system as may be designated or established by the MSRB on an annual basis certain financial and other information relating to the District (each, an "Annual Report") by a date no later than 275 days following the end of each of the District's fiscal years (ending June 30), commencing with the report for the 2013-14 fiscal year, due no later than April 1, 2015, as well as notices of the occurrence of certain enumerated events (each, a "Notice Event") by a date no later than ten Business Days following any Notice Event. The District's undertaking respecting the Bonds (the "Continuing Disclosure Agreement") will be documented in the form set forth at "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto. While the District has since filed its annual reports and material event notices required pursuant to its previous continuing disclosure obligations for the past five years, there were instances where filings were made with respect to certain series of bonds rather than all bonds, and certain filings were made after the required submittal date. The District has since corrected these mis-filings and is currently in compliance with respect to all filings required by such obligations.

These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the "Rule") promulgated by the Securities and Exchange Commission.

PROFESSIONAL SERVICES

The fees payable to certain professionals, including the Underwriter, Matt Juhl-Darlington and Associates, as underwriter's counsel, Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, as Bond Counsel, Isom Advisors, a Division of Urban Futures, Inc., as Financial Advisor, and U.S. Bank National Association, as Paying Agent, are contingent upon the issuance of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the obligations of the District.

LEGALITY FOR INVESTMENT

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 investing bank, are prudent for the investment of funds of depositors. Under provisions of the California Government Code, the Bonds are eligible to secure deposits of public moneys in California.

RATING

S&P has assigned its underlying municipal bond rating of "A" to the Bonds. Such rating reflects only the view of S&P and an explanation of the significance of such rating may be obtained as follows: S&P at Municipal Finance Department, 55 Water Street, New York, New York 10041, tel. (212) 208-8000. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated, as Underwriter, has agreed to purchase the Bonds at the purchase price of $____________ (reflecting par in the amount of $__________, plus a net original issue premium of $________, less an Underwriter's discount of $________). The purchase contract 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 agreement, the approval of certain legal matters by counsel, and certain other conditions.

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

VERIFICATION

The sufficiency of amounts and investment earnings on deposit in the Escrow Fund established under the Escrow Agreement to pay the principal of and interest and premium on the Refunded Bonds, as well as the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from the gross income of the owners thereof for federal income tax purposes, will be verified by Causey Demgen & Moore P.C., certified public accountants (the "Verification Agent"). The Verification Agent will deliver a report to that effect on the date of delivery of the Bonds.

NO LITIGATION

No litigation is pending concerning the validity of the Bonds, and the District's 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 the Bonds.

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OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made such documents and reports for full and complete statements of the contents thereof. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District and the Resolution may be obtained by contacting: Delano Joint Union High School District, 1720 Norwalk Street, Delano, California 93215, Attention: Assistant Superintendent.

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

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

DELANO JOINT UNION HIGH SCHOOL DISTRICT

By ____

Rosalina Rivera
Superintendent

APPENDIX A

THE DELANO JOINT UNION HIGH SCHOOL DISTRICT

This Appendix A provides information concerning the operations and finances of the Delano Joint Union High School District (the "District"). The Bonds are general obligation bonds of the District, secured and payable from ad valorem property taxes assessed on taxable properties within the District. The Bonds are not an obligation of the County of Kern (the "County"), the County of Tulare or of the general fund of the District. Prospective purchasers of the Bonds should be aware that the following discussion of the District's financial condition, its fund balances, budgets and obligations, is intended as general information only, and no implication is made that the payment of principal or interest on the Bonds is dependent in any way upon the District's financial condition. The District neither receives nor accounts for ad valorem tax revenues collected by the County to pay debt service on the Bonds (or its other general obligation bonds). Pursuant to Section 15251 of the Education Code, all tax revenues collected for payment of debt service on the Bonds must be deposited into the interest and sinking fund of the District. The Bonds are and will continue to be payable solely from ad valorem taxes collected by the County within the boundaries of the District. See the body of this Official Statement under the caption "SECURITY FOR THE BONDS."

General

The District was established in 1911 and serves an area of approximately 11 square miles located in the north central section of the County of Kern and the south eastern section of the County of Tulare, California, including the City of Delano and adjacent communities of Earlimart, Pond and Richgrove. The District currently operates four high schools and one adult school. The District serves approximately 4,364 students enrolled in grades 9-12 and employs approximately 407 teachers, administrators and classified personnel. The current student-teacher ratio is 1:26.

District Organization

The governing board of the District is the Board of Trustees (the "Board"). The Board consists of five members who are elected at large to overlapping four-year terms at elections held in staggered years. If a vacancy arises during any term, the vacancy is filled by either an appointment by the majority vote of the remaining Board Members or by a special election. In June of each year, the Board elects a President to serve a one-year term. The years in which the current terms for each member of the Board expire are set forth below:

BOARD OF TRUSTEES

Name	Office	Term Expires
Lionel Reyna	President	2014
Art Armendariz	Clerk	2014
Jean Flores	Member	2014
Arnold Morrison	Member	2016
Anna Perigo	Member	2016

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District.

Key Personnel

The following is a listing of the key administrative personnel of the District:

Name	Title
Rosalina Rivera	Superintendent
Adrian Maduena	Chief Financial Officer

Rosalina C. Rivera, Superintendent. Rosalina Chavez Rivera became the Superintendent of the District in 2007. Under Ms. Rivera's leadership, the District has met all of its State and Federal academic targets and received numerous academic honors including: California Distinguished Schools Awards (Cesar E. Chavez High School and Delano High School); California School Board Association Golden Bell Awards (Delano High School), U.S. News & World Report Nation's Best High School Awards (Delano High School, Robert F. Kennedy High School and Cesar E. Chavez High Schools) and the National Title I Distinguished School Award (Cesar E. Chavez High School). Ms. Rivera previously held the position of Assistant Superintendent of Curriculum and Instruction at the Delano Union Elementary School District. Ms. Rivera received a Bachelor of Arts degree from California State University, Bakersfield and a Master's Degree and Administrative Credential from National University and California State University Fresno, respectively. Ms. Rivera received a Certificate of Recognition from California Legislature Assemblywoman Nicole Parra honoring her as a leading lady in the Central Valley. In 2005, Ms. Rivera was named the "West Kern Association of California School Administrator Curriculum and Instruction Administrator of the Year." In 2013, Ms. Rivera was honored by Assemblyman Rudy Salas as the Women of the Year for the 32nd Assembly District. Ms. Rivera supports and is a member of local, state, and international professional educational associations, including the Association of California School Administrators, the California Association of Latino School Administrators, the Delano Community Alliance, Delano Music Memorial Foundation, Soroptimist International of Delano and the Delano Chapter of Alpha Delta Kappa Society International.

Adrian Madueña, Chief Financial Officer. Adrian Madueña has been employed by the Delano Joint Union High School District since 2004. In 2006, Mr. Madueña was promoted as a Payroll/Personnel Technician and in the subsequent year, he was promoted to the position of District Accountant. As the District Accountant and under the tutelage of the Associate Superintendent of Business, Mr. Madueña has played a vital role in maximizing the use of the District's fiscal resources to maintain balanced budgets while simultaneously enriching the academic experience of students. In 2013, Mr. Madueña was appointed Chief Financial Officer for the District. Mr. Madueña received his Bachelors of Science in Business Administration and his Bachelors of Arts in Sociology from the University of California, Riverside. He graduated *Magna Cum Laude* and was honored on the University's Chancellor's List and Dean's List for all four years. His excellence in academics earned him a spot in the Golden Key National Honor Society and the Gamma Beta Phi Honor Society. In 2013, Mr. Madueña was honored as the Certified Administrator/Manager of the year for his exemplary performance as an up-and-coming professional.

District Employees

The District employs approximately 214 full-time equivalent certificated academic professionals as well as 189 full-time equivalent classified employees.

DELANO JOINT UNION HIGH SCHOOL DISTRICT
Certificated and Classified Employees

Year	Certificated Employees	Classified Employees	Total Employees
2009-10	225	212	437
2010-11	225	199	424
2011-12	209	199	408
2012-13	208	199	407
2013-14	214	189	403

Source: Delano Joint Union High School District.

The certificated employees of the District have selected the California Teachers' Association – Delano Joint Union High School District Teachers' Association as their exclusive bargaining agent. The District's contract with certificated employees is in effect until June 30, 2016 with re-openers in relation to both salary and benefits.

The classified employees have appointed the California School Employees Association, Chapter 79 ("CSEA") as their exclusive bargaining agent. The District's contract with CSEA is in effect until June 30, 2016 with re-openers in relation to both salary and benefits.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

The State-reimbursed exemption currently provides a credit of $7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies.

In addition, certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions. The County Assessor has determined that the total assessed valuation of the District for the fiscal year 2013-14 will be $3,285,279,264. The following table represents assessed valuations within the District.

DELANO JOINT UNION HIGH SCHOOL DISTRICT
SUMMARY OF ASSESSED VALUATIONS

Fiscal Year	Local Secured	Utility	Unsecured	Total
		Kern County Portion		
2009-10	$1,847,521,218	$973,904	$104,805,936	$1,953,301,058
2010-11	1,946,644,823	973,904	78,982,834	2,026,601,561
2011-12	2,023,917,448	474,147	74,607,617	2,098,999,212
2012-13	2,126,207,592	474,147	75,102,522	2,201,784,261
2013-14	2,396,464,262	474,147	71,811,384	2,468,749,793
		Tulare County Portion		
2009-10	$650,734,741	$1,121,957	$30,851,320	$682,708,018
2010-11	678,101,972	1,121,957	36,961,945	716,185,874
2011-12	684,359,972	1,121,957	41,611,397	727,093,326
2012-13	716,514,212	1,121,957	40,972,273	758,608,442
2013-14	771,131,533	727,524	44,670,414	816,529,471
		Total District		
2009-10	$2,498,255,959	$2,095,861	$135,657,256	$2,636,009,076
2010-11	2,624,746,795	2,095,861	115,944,779	2,742,787,435
2011-12	2,708,277,420	1,596,104	116,219,014	2,826,092,538
2012-13	2,842,721,804	1,596,104	116,074,795	2,960,392,703
2013-14	3,167,595,795	1,201,671	116,481,798	3,285,279,264

Source: California Municipal Statistics, Inc.

The following tables present the assessed valuation by land use within the District for fiscal year 2013-14 and the assessed valuation of single family homes for fiscal year 2013-14, respectively.

DELANO JOINT UNION HIGH SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use

	2013-14 Assessed Valuation[(1)]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$1,036,997,737	32.74%	3,941	20.38%
Commercial/Office	202,595,191	6.40	506	2.62
Vacant Commercial	31,673,640	1.00	169	0.87
Industrial	820,742,938	25.91	357	1.85
Vacant Industrial	5,895,595	0.19	48	0.25
Recreational	1,527,520	0.05	10	0.05
Government/Social/Institutional	7,061,825	0.22	933	4.83
Miscellaneous	2,214,444	0.07	229	1.18
Subtotal Non-Residential	$2,108,708,890	66.57%	6,193	32.03%
Residential:				
Single Family Residence	$ 914,414,805	28.87%	9,596	49.63%
Condominium/Townhouse	2,675,431	0.08	44	0.23
Mobile Home	28,328,129	0.89	740	3.83
Mobile Home Park	5,673,927	0.18	5	0.03
2-4 Residential Units	46,959,619	1.48	486	2.51
5+ Residential Units/Apartments	35,573,325	1.12	83	0.43
Miscellaneous Residential	1,672,215	0.05	33	0.17
Vacant Residential	23,589,454	0.74	2,155	11.15
Subtotal Residential	$1,058,886,905	33.43%	13,142	67.97%
Total	$3,167,595,795	100.00%	19,335	100.00%

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

DELANO JOINT UNION HIGH SCHOOL DISTRICT
Per Parcel 2013-14 Assessed Valuation of Single Family Homes

	No. of Parcels	2013-14 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	9,596	$914,414,805	$95,034	$90,000

2013-14 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	522	5.440%	5.440%	$ 7,582,039	0.829%	0.829%
$25,000 - $49,999	1,047	10.911	16.351	39,108,261	4.277	5.106
$50,000 - $74,999	1,813	18.893	35.244	116,149,086	12.702	17.808
$75,000 - $99,999	2,302	23.989	59.233	200,123,492	21.885	39.693
$100,000 - $124,999	1,784	18.591	77.824	197,516,747	21.600	61.294
$125,000 - $149,999	975	10.160	87.985	132,944,364	14.539	75.833
$150,000 - $174,999	484	5.044	93.028	77,512,157	8.477	84.309
$175,000 - $199,999	328	3.418	96.446	60,613,588	6.629	90.938
$200,000 - $224,999	140	1.459	97.905	29,186,423	3.192	94.130
$225,000 - $249,999	85	0.886	98.791	20,296,653	2.220	96.349
$250,000 - $274,999	66	0.688	99.479	17,021,654	1.861	98.211
$275,000 - $299,999	19	0.198	99.677	5,422,486	0.593	98.804
$300,000 - $324,999	13	0.135	99.812	4,019,319	0.440	99.243
$325,000 - $349,999	7	0.073	99.885	2,386,271	0.261	99.504
$350,000 - $374,999	3	0.031	99.917	1,083,216	0.118	99.623
$375,000 - $399,999	2	0.021	99.937	772,099	0.084	99.707
$400,000 - $424,999	3	0.031	99.969	1,239,328	0.136	99.843
$425,000 - $449,999	2	0.021	99.990	877,000	0.096	99.939
$450,000 - $474,999	0	0.000	99.990	0	0.000	99.939
$475,000 - $499,999	0	0.000	99.990	0	0.000	99.939
$500,000 and greater	1	0.010	100.000	560,622	0.061	100.000
Total	9,596	100.00%		$914,414,805	100.000%	

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

The following table presents the largest local taxpayers based on secured assessed valuation within the District for fiscal year 2013-14.

DELANO JOINT UNION HIGH SCHOOL DISTRICT
2013-14 Largest Local Secured Taxpayers

	Property Owner	Land Use	2013-14 Assessed Valuation	% of Total[(1)]
1.	Paramount Citrus Packing Co. LLC	Food Processing	$ 265,123,816	8.37%
2.	Vintage Petroleum LLC	Industrial	130,913,365	4.13
3.	MacPherson Oil Co.	Industrial	64,033,738	2.02
4.	Delano Farms Co.	Food Processing	57,358,932	1.81
5.	John Hancock Life Insurance Co.	Agricultural	48,263,506	1.52
6.	Sears Holding Corp.	Industrial	46,410,158	1.47
7.	The S. Brar Harbinder Family LP	Agricultural	38,106,139	1.20
8.	Delano Growers Grape Products	Industrial	26,728,232	0.84
9.	Hathaway	Industrial	25,077,166	0.79
10.	Vincent B. Zaninovich & Sons Inc.	Agricultural	22,382,343	0.71
11.	M. Caratan Inc.	Food Processing	22,312,562	0.70
12.	Albert L. Good	Agricultural	18,265,031	0.58
13.	Kewel & Janie Munger	Agricultural	17,947,752	0.57
14.	John and Jacqueline Scheenstra, Tr.	Agricultural	17,296,504	0.55
16.	Cal Diamond Partners	Agricultural	16,924,618	0.53
17.	Pond Ranch LLC	Agricultural	16,558,379	0.52
18.	Harvey B. Pollack Second LP	Industrial	15,276,385	0.48
19.	Hronis Land Co.	Agricultural	14,617,522	0.46
20.	George A. Zaninovich 2010 Trust	Food Processing	12,449,717	0.39
			$627,389,472	27.64%

(1) 2013-14 Local Secured Assessed Valuation: $3,167,595,795.
Source: California Municipal Statistics, Inc.

Tax Rates

The following table sets forth typical tax rates levied in Tax Rate Area (2-000) for fiscal years 2009-10 through 2013-14:

DELANO JOINT UNION HIGH SCHOOL DISTRICT
Typical Total Tax Rates (TRA 2-000)[(1)]

	2009-10	2010-11	2011-12	2012-13	2013-14
General Tax Rate	1.000000	1.000000	1.000000	1.000000	1.000000
Delano Union School District	.169223	.171824	.171277	.155477	.132270
Delano Joint Union High School District	.118216	.155485	.132845	.121062	.106315
Kern Community College School District SRID	.009401	.010117	.009057	.008502	.012644
Total Tax Rate	1.296840	1.337426	1.313179	1.285041	1.251229

(1) 2013-14 assessed valuation of TRA 2-000 is $564,315,288.
Source: California Municipal Statistics, Inc.

Teeter Plan

Kern County. The County of Kern has adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing with Section 4701) of the Revenue and Taxation Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year-end. Under the Teeter Plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and, by such financing, its general fund receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. In addition, the County's general fund benefits from future collections of penalties and interest on all delinquent taxes collected on behalf of participants in this alternative method of apportionment.

Upon adopting the Teeter Plan, the County was required to distribute to participating local agencies, 95% of the then-accumulated, secured roll property tax delinquencies and to place the remaining 5% in a tax losses reserve fund. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. Since the District maintains funds in the County Treasury, the District is included in the Teeter Plan.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors shall receive a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. In the event that the Teeter Plan were terminated, receipt of revenue of *ad valorem* taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

Tulare County. **The County of Tulare opted out of the Teeter Plan effective as of the fiscal year beginning July 1, 2009, and consequently the Teeter Plan is not available to local taxing entities within Tulare County, such as the District. The portion of the District's receipt of property taxes attributed to Tulare County is therefore subject to delinquencies.**

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DELANO JOINT UNION HIGH SCHOOL DISTRICT
Secured Tax Charges and Delinquencies

Kern County Portion Only[1]

	Secured Tax Charge[2]	Amt. Del. June 30	% Del. June 30
2008-09	$3,252,101.07	$100,660.57	3.10%
2009-10	2,732,701.08	67,739.95	2.48
2010-11	3,230,484.03	67,026.97	2.07
2011-12	3,351,329.46	49,275.68	1.47
2012-13	3,494,527.26	45,537.50	1.30

	Secured Tax Charge[3]	Amt. Del. June 30	% Del. June 30
2008-09	$2,134,568.19	$112,449.65	5.27%
2009-10	2,391,850.00	101,706.58	4.25
2010-11	3,215,363.49	116,832.21	3.63
2011-12	2,907,766.04	68,266.38	2.35
2012-13	2,558,240.13	55,182.85	2.16

(1) Kern County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest.
(2) 1% General Fund apportionment. Reflects countywide delinquency rate.
(3) District's general obligation bond debt service levy.

Tulare County Portion[4]

	Secured Tax Charge[5]	Amt. Del. June 30	% Del. June 30
2008-09	$ 970,832.90	$ 63,332.00	6.52%
2009-10	1,004,464.05	57,033.48	5.68
2010-11	1,047,961.91	56,931.11	5.43
2011-12	1,044,150.76	35,517.60	3.40
2012-13	1,074,960.40	33,153.75	3.08

	Secured Tax Charge[6]	Amt. Del. June 30	% Del. June 30
2008-09	$ 626,156.24	$ 32,431.84	5.18%
2009-10	783,544.43	40,322.52	5.15
2010-11	1,065,589.11	48,645.76	4.57
2011-12	908,572.55	31,403.61	3.46
2012-13	877,769.73	23,321.96	2.66

(4) Tulare County suspended their Teeter Plan in Fiscal Year 2009-10.
(5) 1% General Fund apportionment. Reflects countywide delinquency rate.
(6) District's general obligation bond debt service levy.

Source: California Municipal Statistics, Inc.

District Investments

The Kern County Treasurer-Tax Collector (the "Treasurer") manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by school and community college districts located in the County, various special districts, and some cities within the State of California. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County's Treasury Pool. All money held in any of the funds or accounts established pursuant to the Resolution shall be held in the Treasury Pool and disbursed in accordance with the Resolution.

The composition and value of investments under management in the Treasury Pool vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally.

For a further discussion of the Pooled Investment Fund, see the caption "THE KERN COUNTY TREASURY POOL" herein.

Financial Statements of the District

The District's General Fund finances the legally authorized activities of the District for which restricted funds are not provided. General Fund revenues are derived from such sources as State fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District has not requested its auditor to provide any review or update of such financial statements in connection with their inclusion in this Official Statement. Certain information from the District's financial statements follows. Selected information from the District's audited financial statements for the 2012-13 fiscal year is attached hereto as Appendix C.

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General Fund

The following tables describe the District's recent audited and estimated actual financial results.

DELANO JOINT UNION HIGH SCHOOL DISTRICT
GENERAL FUND
Audited Financial Results for Fiscal Years 2010-11, 2011-12 and 2012-13

	Fiscal Year 2010-11[1]	Fiscal Year 2011-12[1]	Fiscal Year 2012-13[1]
REVENUES			
Revenue Limit Sources	$26,167,935	$25,792,609	$25,672,088
Federal Sources	6,378,327	6,134,106	4,827,014
Other State Sources	10,939,769	10,696,257	8,768,145
Other Local Sources	1,259,178	1,897,112	2,668,150
TOTAL REVENUES	$44,745,209	$44,520,084	$41,935,397
EXPENDITURES			
Current:			
Instruction	$23,635,302	$20,952,633	$21,128,008
Instruction-Related Activities:			
Supervision of Instruction	1,127,517	926,174	793,720
Instructional Library, Media and Technology	1,788,865	1,447,235	1,410,666
School Site Administration	2,270,194	2,253,787	2,723,709
Pupil Services:			
Home-to-School Transportation	1,062,246	1,257,869	1,195,913
Food Services	–	–	23,158
All Other Pupil Services	5,208,529	5,175,951	4,965,472
Administration:			
Data Processing	527	751	203,292
All Other Administration	2,152,915	2,199,086	1,983,391
Plant Services	5,877,015	5,380,922	5,574,873
Facility Acquisition and Construction	192,766	430,611	760,180
Ancillary Services	418,601	581,362	430,407
Community Services	160	–	3,542
Other Outgo	175,351	102,195	100,258
Debt Service:			
Principal	117,303	77,711	80,732
Interest and Other	22,984	6,160	59,450
TOTAL EXPENDITURES	$44,050,275	$40,792,447	$41,436,771
Excess (Deficiency) of Revenues Over Expenditures	694,934	3,727,637	498,626
OTHER FINANCING SOURCES (USES):			
Transfers In	96,831	550	–
Transfers Out	(617,325)	(576,200)	(276,690)
Net Financing Sources (Uses)	(520,494)	(575,650)	221,936
NET CHANGE IN FUND BALANCES	174,440	3,151,987	221,936
Fund Balance – Beginning	10,873,499[1]	11,047,939	14,199,926
Fund Balance – Ending	$11,047,939	$14,199,926	$14,421,862

[1] Audited Financial Results for Fiscal Years 2010-11, 2011-12 and 2012-13 include consolidation of Fund 17 into the General Fund. Fund 17 is a special reserve non-capital fund for reporting purposes.
Source: The District.

The following table describes the District's Board approved Budgets for Fiscal Year 2012-13 and 2013-14.

DELANO JOINT UNION HIGH SCHOOL DISTRICT
Fiscal Years 2012-13 Final Budget and 2013-14 Operating Budget[(1)]

	2012-13 Final Budget	2013-14 Board Approved Operating Budget (as of July 1, 2013)[(1)]	2013-14 Operating Budget (as of 2nd Interim) [(1)]
REVENUES			
Revenue Limit Sources	$25,629,555	$27,022,278	$33,058,371
Federal Sources	5,251,209	4,573,868	4,945,330
Other State Sources	7,944,658	7,747,527	3,499,355
Other Local Sources	2,727,582	2,178,860	2,512,468
TOTAL REVENUES	$41,553,004	$41,522,532	$44,015,523
EXPENDITURES			
Current Expenditures			
Certificated Salaries	$16,237,317	$17,523,729	$17,790,615
Classified Salaries	7,542,216	7,624,351	7,952,501
Employee Benefits	8,957,406	9,210,115	9,550,734
Books and Supplies	1,886,346	1,446,398	2,866,669
Services and Operating Expenditures	5,842,577	5,704,345	6,287,180
Other Outgo	709,360	569,178	959,654
Capital Outlay	713,655	40,000	336,518
Debt Service – Principal	80,732		0
Debt Service – Interest	59,450	0	0
TOTAL EXPENDITURES	$42,029,059	$42,118,117	$45,743,870
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(476,055)	(595,586)	(1,728,347)
OTHER FINANCING SOURCES (USES)			
Transfers In	304,000	305,064	305,064
Transfers Out	(427,325)	(427,325)	(424,187)
Net Financing Sources (Uses)	(123,325)	(122,261)	(119,123)
NET CHANGE IN FUND BALANCES	(599,380)	(717,846)	(1,847,470)
Fund Balance – Beginning	14,199,926	$11,686,016	$12,815,083
Fund Balance – Ending	$13,600,546	$10,968,170	$10,967,613

(1) Totals may not add due to rounding.
Source: The District.

Retirement System

The District participates in the State of California Teachers Retirement System ("STRS") which provides retirement benefits to certificated personnel. The District contributed $1,734,408 to STRS for fiscal year 2010-11, $1,154,158 for fiscal year 2011-12, $1,160,636 for fiscal year 2012-13 and has budgeted $1,418,494.49 for fiscal year 2013-14. The District also participates in the State of California Public Employees' Retirement System ("PERS") which provides retirement benefits to classified personnel. The District contributed $1,040,296 to PERS for fiscal year 2010-11, $939,869 for fiscal year 2011-12, $1,031,187 for fiscal year 2012-13 and budgeted $1,197,875.44 for fiscal year 2013-14.

Both CalPERS and STRS are operated on a statewide basis and, based on available information, STRS and CalPERS both have unfunded liabilities. CalPERS may issue certain pension obligation bonds to reach funded status. (Additional funding of STRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282.) The amounts of the pension/award benefit obligation (CalPERS) or actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. The District is unable to predict what the amount of unfunded liabilities will be in the future or the amount of the contributions which the District may be required to make.

Post-Employment Benefits

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses. As of fiscal year 2013-14, membership of the Plan consists of approximately 27 retirees and beneficiaries receiving benefits and approximately 403 active plan members.

The contribution requirements of Plan members and the District are established and may be amended by the District and the Delano Joint Union High Teachers Association (DJUHTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2012-13, the District contributed $444,668 (this does not include factor of 1.2350 to adjust for the implicit rate subsidy) to the plan, all of which was used for current premiums (approximately 63 percent of total premiums). Plan members receiving benefits contributed $255,830, or approximately 37 percent of the total premiums. Contributions made by retirees vary depending on their cap at retirement and the coverage selected.

The District's most recent actuarial study was dated July 1, 2011. The actuarial accrued liability for benefits was $6,358,647 and the actuarial value of the asset was $0 as of that date, resulting in an unfunded actuarial accrued liability ("UAAL") of $6,358,647. The annual payroll of active employees covered by the plan was $20,958,456, and the UAAL as a percentage of covered payroll was 30.3%.

The District's annual required contribution for the year ended June 30, 2013 was $832,130, and contributions made by the District during the year were $549,165 (includes factor of 1.2350 to adjust for the implicit rate subsidy). Interest on the net OPEB obligation and adjustments to the annual required contribution were $75,162 and $(97,802), respectively, which resulted in an increase to the net OPEB obligation of $260,325. As of June 30, 2013, the net OPEB obligation was $1,763,546.

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Certain Existing Obligations

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

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due in One Year
General Obligation Bonds	$55,905,000	$ -	$1,595,000	$54,310,000	$1,610,000
Compensated absences – net	189,779	32,555	-	222,334	-
Capital Leases	80,732	-	80,732	-	-
Other postemployment benefits	1,503,221	809,490	549,165	1,763,546	-
Total	$57,678,732	$842,045	$2,224,897	$56,295,880	$1,610,000

Source: The District.

Direct and Overlapping Debt

Numerous local agencies which provide public services overlap the District's service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District's estimated direct and overlapping bonded debt. The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The District has not reviewed this table and there can be no assurance as to the accuracy of the information contained in the table; inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

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The following table is a statement of the District's direct and estimated overlapping bonded debt as of May 1, 2014:

DELANO JOINT UNION HIGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

2013-14 Assessed Valuation:$3,285,279,264

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/14
Kern Community College District Safety, Repair and Improvement District	4.055%	$ 6,157,974
Delano Joint Union High School District	**100.000**	**52,700,000**[(1)]
Delano Union School District	100.000	38,507,226
Earlimart School District	100.000	3,200,000
Richgrove School District	100.000	485,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$101,050,200
OVERLAPPING GENERAL FUND DEBT:		
Kern County Certificates of Participation	2.729%	$ 3,178,603
Kern County Pension Obligations	2.729	9,130,566
Kern County Board of Education Certificates of Participation	2.729	1,143,997
Tulare County Certificates of Participation	2.946	1,440,594
Tulare County Board of Education Certificates of Participation	2.946	1,106,812
Kern County Community College District Certificates of Participation and Benefit Obligations	3.667	5,222,541
Delano Union School District Certificates of Participation	100.000	25,644,818
Earlimart School District Certificates of Participation	100.000	1,010,000
Richgrove School District Certificates of Participation	100.000	2,985,000
City of Delano General Fund Obligations	99.983	23,995,920
TOTAL OVERLAPPING GENERAL FUND DEBT		$74,858,851
OVERLAPPING TAX INCREMENT DEBT:		$13,718,241
COMBINED TOTAL DEBT		$189,627,292[(2)]

(1) Excludes Bonds to be sold and includes Refunded Bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2013-14 Assessed Valuation:
Direct Debt ($52,700,000) 1.60%
Total Direct and Overlapping Tax and Assessment Debt........................3.08%
Combined Total Debt...5.77%

Ratios to Redevelopment Incremental Valuation ($639,679,296):
Total Overlapping Tax Increment Debt...2.14%

Insurance

The District maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and worker's compensation as are adequate, customary and comparable with such insurance maintained by similarly situated high school districts. In addition, based upon prior claims experience, the District believes that the recorded liabilities for self-insured claims are adequate.

District Growth

The table below sets forth the enrollment, average daily attendance ("ADA") and Base Revenue Limit for the District for the fiscal years ending June 30, 2009 through 2013 and a projection for the fiscal year ending June 30, 2014.

DELANO JOINT UNION HIGH SCHOOL DISTRICT
Enrollment and Average Daily Attendance Grades K-12
Fiscal Years 2008-09 through 2013-14[(1)]

Fiscal Year	Enrollment	Enrollment Increase/(Decrease) From Prior Year	ADA[(2)]	Base Revenue Limit/ LCFF Entitlement per ADA[(2)(3)]
2008-09	4,587	31	4,238	$7,095.44
2009-10	4,522	(65)	4,239	7,395.44
2010-11	4,408	(114)	4,162	7,489.31
2011-12	4,340	(68)	4,127	7,530.44
2012-13	4,323	(17)	4,109	7,773.44
2013-14[(1)]	4,238	(85)	4,028	8,352.00[(4)]

(1) Projected
(2) As of Second Interim Report.
(3) Deficit Factor Not Applied.
(4) Beginning in 2013-14, the Reserve Limit funding system was replaced with LCFF. See "FUNDING OF EDUCATION IN CALIFORNIA – LCFF and the District" herein.
Source: The District.

Population

The population of the City of Delano, the County and the State is set forth in the following tables.

POPULATION OF THE CITY OF DELANO,
THE COUNTY AND STATE

Calendar Year*	City of Delano	Kern County	State
2008	53,716	817,517	38,049,462
2009	53,972	827,173	38,292,687
2010	53,110	839,631	37,253,956
2011	53,108	844,480	37,427,946
2012	52,003	849,977	37,668,804
2013	51,963	857,882	37,966,471

*Figures as of January of the year indicated.
Source: California State Department of Finance.

APPENDIX B

FORM OF BOND COUNSEL OPINION

[Closing Date]

Board of Trustees
Delano Joint Union High School District
1720 Norwalk Street
Delano, California 93215

Re: $__________ Delano Joint Union High School District 2014 General Obligation Refunding Bonds (Election of 2005, Series A)

Ladies and Gentlemen:

We have acted as bond counsel for the Delano Joint Union High School District, County of Kern, State of California (the "District"), in connection with the issuance by the District of $__________ aggregate principal amount of the District's 2014 General Obligation Refunding Bonds (Election of 2005, Series A) (the "Bonds"). The Bonds are issued pursuant to Article 9 of Chapter 3 of Part 1 of Division 2 of the Government Code of the State of California and the resolution adopted by the Board of Trustees of the District on May 13, 2014 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

In our capacity as bond counsel, we have reviewed copies certified to us as being true and complete copies of the proceedings of the District for the authorization and issuance of the Bonds, including the Resolution and the Tax Exemption Certificate of the District, dated the date hereof (the "Tax Certificate") and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution. In addition, we call attention to the fact that the rights and obligations under the Bonds and the Resolution are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles, to the possible unavailability of specific performance or injunctive relief, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California

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

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

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

3. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Bonds. Pursuant to the Resolution and in the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986* being delivered by the District in connection with the issuance of the Bonds, the District is making representations relevant to the determination of, and is undertaking certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by the District with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequence with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of results and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds.

This opinion is limited to the laws of the State of California and the federal laws of the United States.

Respectfully submitted,

APPENDIX C

SELECTED INFORMATION FROM
DISTRICT AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2013

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DELANO JOINT UNION HIGH SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

DELANO JOINT UNION HIGH SCHOOL DISTRICT

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JUNE 30, 2013

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Delano Joint Union High School District
Delano, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-2013*, 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 from material misstatement.

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

6051 N. Fresno Street, Suite 101 Fresno, CA 93710 Tel: 559.248.0871 Fax: 559.248.0875 www.vtdcpa.com

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Delano Joint Union High School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 12, budgetary comparison information and postemployment benefits information on pages 50 and 51, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Delano Joint Union High School District's basic financial statements. The supplementary information, such as the combining and individual non-major fund financial statements and 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2013, on our consideration of the Delano Joint Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Delano Joint Union High School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 14, 2013

DELANO JOINT UNION HIGH SCHOOL DISTRICT
1720 Norwalk Street, Delano, California (661) 725-4000

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Delano 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, 2013. 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 using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

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

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

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

The *Fiduciary Funds* are trust and agency funds. Trust funds focus reporting on net position and changes in net position, and agency funds report only a balance sheet and do not have a measurement focus.

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

The Primary unit of the government is the Delano Joint Union High School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* 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 position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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

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

Governmental Activities - The District reports all of its services in this category. This includes the education of grade nine through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The Board of Trustees and Administration continue to utilize resources in a manner that enhances the educational experience of all students while simultaneously maintaining the fiscal health of the District. With the passage of Proposition 30 and furlough concessions given by both bargaining units, the District was able to avoid additional revenue cuts and ended the year in a positive, fiscal position. Although California's economy is in a stage of recovery, it has proven to be slow at best and consequently, both the administration and employees will remain prudent in determining future, required expenditures.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $102.9 million for the fiscal year ended June 30, 2013. Of this amount, $12.8 million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities		
	2013	2012	Difference
Assets			
Current and other assets	$ 30.4	$ 37.9	$ (7.5)
Capital assets	133.4	130.0	3.4
Total Assets	163.8	167.9	(4.1)
Liabilities			
Current liabilities	4.6	6.2	(1.6)
Long-term obligations	56.3	57.7	(1.4)
Total Liabilities	60.9	63.9	(3.0)
Net Position			
Net investment in capital assets	81.8	82.2	(0.4)
Restricted	8.3	8.9	(0.6)
Unrestricted	12.8	12.9	(0.1)
Total Net Position	**$ 102.9**	**$ 104.0**	**$ (1.1)**

The $12.8 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 0.7 percent ($12.8 million compared to $12.9 million).

Changes in Net Position

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

Table 2

(Amounts in millions)	Governmental Activities		
	2013	2012	Difference
Revenues			
Program revenues:			
Charges for services	$ 0.2	$ 0.2	$ -
Operating grants and contributions	10.4	11.5	(1.1)
General revenues:			
Federal and State aid not restricted	27.7	29.3	(1.6)
Property taxes	9.5	8.4	1.1
Other general revenues	0.9	2.0	(1.1)
Total Revenues	48.7	51.4	(2.7)
Expenses			
Instruction-related	27.2	26.6	0.6
Student support services	8.7	9.0	(0.3)
Administration	2.3	2.2	0.1
Maintenance and operations	8.3	7.9	0.4
Other	3.3	3.5	(0.2)
Total Expenses	49.8	49.2	0.6
Change in Net Position	**$ (1.1)**	**$ 2.2**	**$ (3.3)**

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $49.8 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $9.5 million because the cost was paid by those who benefited from the programs ($0.2 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($10.4 million). We paid for the remaining "public benefit" portion of our governmental activities with $27.7 million in Federal and State funds and $0.9 million in other revenues like interest and general entitlements.

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

Table 3

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction-related	$ 27.2	$ 26.6	$ 21.0	$ 19.5
Student support services	8.7	9.0	4.5	4.7
Administration	2.3	2.2	2.1	2.1
Maintenance and operations	8.3	7.9	8.3	7.8
Other	3.3	3.5	3.2	3.4
Total	**$ 49.8**	**$ 49.2**	**$ 39.1**	**$ 37.5**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $25.8 million, which is a decrease of $5.9 million from last year. Our General Fund is our principal operating fund. The fund balance in the General Fund increased from $14.2 million to $14.4 million which was a small increase compared to the prior year increase of $3.2 million. The primary reason for the overall decrease was continued capital outlay costs in the Building Fund which decreased $5.6 million. The District's non-major funds decreased approximately $0.5 million due primarily to capital outlay and maintenance costs.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 11, 2013. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

The District originally projected a decrease in General Fund ending fund balance of approximately $1.9 million. Although expenditures and transfers out were $1.4 million less than expected, revenues and transfers in were $3.1 million less than expected, resulting in an increase of just $0.2 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had $133.4 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $3.4 million, or 2.6 percent, from last year (Table 4).

Table 4

(Amounts in millions)	Governmental Activities		
	2013	2012	Difference
Land and construction in progress	$ 20.3	$ 14.1	$ 6.2
Buildings and improvements	112.1	114.6	(2.5)
Equipment	1.0	1.3	(0.3)
Total	**$ 133.4**	**$ 130.0**	**$ 3.4**

We present more detailed information about our capital assets in the Notes to Financial Statements.

Long-Term Obligations

At the end of this year, the District had $56.3 million in debt outstanding versus $57.7 million last year, a decrease of 2.4 percent. The debt consisted of:

Table 5

(Amounts in millions)	Governmental Activities		
	2013	2012	Difference
General obligation bonds (financed with property taxes)	$ 54.3	$ 55.9	$ (1.6)
Compensated absences	0.2	0.2	-
Capital leases	-	0.1	(0.1)
Other postemployment benefits	1.8	1.5	0.3
Total	**$ 56.3**	**$ 57.7**	**$ (1.4)**

The District's S&P bond rating as of the most recent bond issuance was "A".

We present more detailed information regarding our long-term obligations in the Notes to Financial Statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2012-2013 ARE NOTED BELOW:

District students continue to show high levels of academic achievement according to the 2013 Academic Progress Reports released by the California Department of Education in September 2013. The District-wide Academic Performance Index (API) stands at 787 points, which is significantly higher that the state-wide API (757 points) for high school students. The comparative achievement levels of District students are even higher among English learners (District API of 734 points, state-wide API of 662 points) and Socio-economically Disadvantaged students (District API of 787 points, state-wide API of 709 points).

The District also met the District-wide graduation rate target, a key component of Adequate Yearly Progress (AYP). The 2011-12 Cohort Graduation Rate (Class of 2012) was 90.8, which is significantly higher than the statewide rate of 78.9.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2013-2014 year, the District Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Overall District enrollment projection is 4,222.
2. Revenue limit income will reflect an 18.997% deficit.
3. State revenue other than lottery/revenue limit is projected to be $7,114,945.
4. Federal revenues are projected at $4,573,868.

Expenditures are based on serving a student population of 4,112.58 Average Daily Attendance (ADA). This total includes an ADA of 88.43 for the Valley High Continuation High School.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Superintendent, at Delano Joint Union High School District, 1720 Norwalk, Delano, California, 93215, or e-mail at rrivera@djuhsd.org.

STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
ASSETS	
Deposits and investments	$ 21,904,924
Receivables	8,382,623
Prepaid expenses	34,961
Stores inventories	42,560
Nondepreciable capital assets	20,325,157
Capital assets being depreciated	147,183,703
Accumulated depreciation	(34,076,862)
Total Assets	163,797,066
LIABILITIES	
Accounts payable	4,428,078
Deferred revenue	180,239
Current portion of long-term obligations	1,610,000
Noncurrent portion of long-term obligations	54,685,880
Total Liabilities	60,904,197
NET POSITION	
Net investment in capital assets	81,767,312
Restricted for:	
Debt service	4,677,153
Capital projects	2,586,413
Educational programs	707,141
Other activities	329,796
Unrestricted	12,825,054
Total Net Position	$ 102,892,869

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenues	
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**
Governmental Activities:			
Instruction	$ 22,029,846	$ 12,675	$ 4,872,396
Instruction-related activities:			
Supervision of instruction	798,391	40	733,646
Instructional library, media, and technology	1,506,211	-	240,704
School site administration	2,860,888	797	342,797
Pupil services:			
Home-to-school transportation	1,385,542	168	323,817
Food services	2,366,641	191,314	1,841,059
All other pupil services	5,000,258	43,523	1,884,228
Administration:			
Data processing	203,292	-	56,533
All other administration	2,061,420	690	80,123
Plant services	8,272,312	-	7,456
Ancillary services	433,486	-	5,810
Community services	3,542	-	33
Interest on long-term obligations	2,746,356	-	-
Other outgo	100,258	474	52,192
Total Governmental Activities	$ 49,768,443	$ 249,681	$ 10,440,794

General revenues and subventions:
- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Taxes levied for other specific purposes
- Federal and State aid not restricted to specific purposes
- Interest and investment earnings
- Miscellaneous

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expenses) Revenues and Changes in Net Position
Governmental Activities
$ (17,144,775)
(64,705)
(1,265,507)
(2,517,294)
(1,061,557)
(334,268)
(3,072,507)
(146,759)
(1,980,607)
(8,264,856)
(427,676)
(3,509)
(2,746,356)
(47,592)
(39,077,968)
5,240,863
4,211,048
17,279
27,673,846
134,426
737,357
38,014,819
(1,063,149)
103,956,018
$ 102,892,869

DELANO JOINT UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	$ 10,522,039	$ 2,947,127	$ 4,677,153
Receivables	8,062,962	3,926	-
Due from other funds	3,605	-	-
Prepaid expenditures	34,961	-	-
Stores inventories	-	-	-
Total Assets	$ 18,623,567	$ 2,951,053	$ 4,677,153
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 3,844,776	$ 305,739	$ -
Due to other funds	176,690	-	-
Deferred revenue	180,239	-	-
Total Liabilities	4,201,705	305,739	-
Fund Balances:			
Nonspendable	44,961	-	-
Restricted	687,680	2,645,314	4,677,153
Committed	-	-	-
Assigned	12,470,441	-	-
Unassigned	1,218,780	-	-
Total Fund Balances	14,421,862	2,645,314	4,677,153
Total Liabilities and Fund Balances	$ 18,623,567	$ 2,951,053	$ 4,677,153

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

Non-Major Governmental Funds	Total Governmental Funds
$ 3,758,605	$ 21,904,924
315,735	8,382,623
176,690	180,295
-	34,961
42,560	42,560
$ 4,293,590	$ 30,545,363
$ 277,563	$ 4,428,078
3,605	180,295
-	180,239
281,168	4,788,612
43,560	88,521
2,893,110	10,903,257
1,065,379	1,065,379
10,373	12,480,814
-	1,218,780
4,012,422	25,756,751
$ 4,293,590	$ 30,545,363

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DELANO JOINT UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total Fund Balance - Governmental Funds		**$ 25,756,751**
Amounts Reported for Governmental Activities in the Statement of Net Position 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	$ 167,508,860	
Accumulated depreciation is	(34,076,862)	
Net Capital Assets		133,431,998
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	54,310,000	
Compensated absences	222,334	
Other postemployment benefits	1,763,546	
Total Long-Term Obligations		(56,295,880)
Total Net Position - Governmental Activities		**$ 102,892,869**

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

DELANO JOINT UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Revenue limit sources	$ 25,672,088	$ -	$ -
Federal sources	4,827,014	-	-
Other State sources	8,768,145	-	32,286
Other local sources	2,668,150	86,766	4,212,844
Total Revenues	41,935,397	86,766	4,245,130
EXPENDITURES			
Current			
Instruction	21,128,008	-	-
Instruction-related activities:			
Supervision of instruction	793,720	-	-
Instructional library, media and technology	1,410,666	-	-
School site administration	2,723,709	-	-
Pupil services:			
Home-to-school transportation	1,195,913	-	-
Food services	23,158	-	-
All other pupil services	4,965,472	-	-
Administration:			
Data processing	203,292	-	-
All other administration	1,983,391	-	-
Plant services	5,574,873	332,300	-
Facility acquisition and construction	760,180	5,321,935	-
Ancillary services	430,407	-	-
Community services	3,542	-	-
Other outgo	100,258	-	-
Debt service			
Principal	80,732	-	1,595,000
Interest and other	59,450	-	2,686,906
Total Expenditures	41,436,771	5,654,235	4,281,906
Excess (Deficiency) of Revenues Over Expenditures	498,626	(5,567,469)	(36,776)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(276,690)	-	-
Net Financing Sources (Uses)	(276,690)	-	-
NET CHANGE IN FUND BALANCES	221,936	(5,567,469)	(36,776)
Fund Balance - Beginning	14,199,926	8,212,783	4,713,929
Fund Balance - Ending	$ 14,421,862	$ 2,645,314	$ 4,677,153

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 25,672,088
1,839,136	6,666,150
147,877	8,948,308
450,988	7,418,748
2,438,001	48,705,294
110,998	21,239,006
-	793,720
-	1,410,666
51,465	2,775,174
-	1,195,913
2,233,031	2,256,189
-	4,965,472
-	203,292
164	1,983,555
133,198	6,040,371
694,356	6,776,471
-	430,407
-	3,542
-	100,258
-	1,675,732
-	2,746,356
3,223,212	54,596,124
(785,211)	(5,890,830)
276,690	276,690
-	(276,690)
276,690	-
(508,521)	(5,890,830)
4,520,943	31,647,581
$ 4,012,422	$ 25,756,751

DELANO JOINT UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

Total Net Change in Fund Balances - Governmental Funds		**$ (5,890,830)**
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 Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceed depreciation in the period.		
Capital outlays	$ 6,896,921	
Depreciation expense	(3,452,092)	
Net Expense Adjustment		3,444,829
In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there were no special termination benefits. Vacation earned was more than the amounts paid by $32,555.		(32,555)
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		(260,325)
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds		1,595,000
Capital lease obligations		80,732
Change in Net Position of Governmental Activities		**$ (1,063,149)**

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

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013

	Scholarship Trust	Agency Funds
ASSETS		
Deposits and investments	$ 60,159	$ 504,730
Total Assets	60,159	$ 504,730
LIABILITIES		
Due to student groups	-	$ 504,730
Total Liabilities	-	$ 504,730
NET POSITION		
Reserved for scholarships	60,159	
Total Net Position	$ 60,159	

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

DELANO JOINT UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Scholarship Trust
ADDITIONS	
Interest	$ 166
Total Additions	166
DEDUCTIONS	
Scholarships awarded	500
Total Deductions	500
Change in Net Position	(334)
Net Position - Beginning	60,493
Net Position - Ending	$ 60,159

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Delano Joint Union High School District was organized in 1911 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 three high schools, one continuation high school, and one adult school.

A reporting entity is comprised of the primary government 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 Delano Joint Union High School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Non-Capital Fund, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly have been consolidated with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, fund balance, and revenues of $1,606,779, $1,606,779, and $9,569, respectively, with no change in expenditures.

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.

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).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes 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.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

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 financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) 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 Capital Outlay Fund The Special Reserve Capital Outlay Fund exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

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 two classifications: scholarship trust funds and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

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

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

Net position should be reported as restricted when constraints placed on net position 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 position restricted for other activities result from special revenue funds and the restrictions on their net position use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental 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.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund 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 reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 60 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, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2013, 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 pools are determined by the program sponsor.

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.

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

Interfund Balances

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 column of the *Statement of Net Position*.

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 position as long-term obligations.

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

Accrued Liabilities and Long-Term Obligations

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

Fund Balances - Governmental Funds

As of June 30, 2013, fund balances of the governmental funds are classified as follows:

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

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

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

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the 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 one-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 Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $8,300,503 of restricted net position.

Interfund Activity

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

Changes in Accounting Principles

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

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

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

New Accounting Pronouncements

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

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

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

In June 2012, the GASB issued Statement No. 68*, Accounting and Financial Reporting for Pensions—an amendment of GASB 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.

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

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

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

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Governmental activities	$ 21,904,924
Fiduciary funds	564,889
Total Deposits and Investments	$ 22,469,813

Deposits and investments as of June 30, 2013, consist of the following:

Cash on hand and in banks	$ 564,889
Cash in revolving	11,000
Cash with fiscal agent	40,740
Investments	21,853,184
Total Deposits and Investments	$ 22,469,813

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 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 having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

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

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	$ 21,427,973	$ -	$ 21,427,973	$ -	$ -
Self-Insured Schools of California Investment Pool	248,027	248,027	-	-	-
Total	$ 21,676,000	$ 248,027	$ 21,427,973	$ -	$ -

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County Pool the Self-Insured Schools of California Investment Pool are not required to be rated, nor have they been rated as of June 30, 2013.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End AAA	AA	Unrated
County Pool	$ 21,427,973	N/A	$ -	$ -	$ 21,427,973
Self-Insured Schools of California Investment Pool	248,027	N/A	-	-	248,027
Total	$ 21,676,000		$ -	$ -	$ 21,676,000

N/A - Not applicable

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2013, $454,782 of the District's bank balance 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.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in SISC Investment Pool of $248,027, the District has a custodial credit risk exposure of $248,027 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2013, consisted of intergovernmental grants, entitlements, state apportionments, and local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	$ 594,458	$ -	$ 275,637	$ 870,095
State Government				
Apportionment	5,822,945	-	-	5,822,945
Other state sources	1,349,801	-	23,117	1,372,918
Local Sources	295,758	3,926	16,981	316,665
Total	$ 8,062,962	$ 3,926	$ 315,735	$ 8,382,623

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 5,879,591	$ -	$ -	$ 5,879,591
Construction in Progress	8,233,787	6,354,868	143,089	14,445,566
Total Capital Assets Not Being Depreciated	14,113,378	6,354,868	143,089	20,325,157
Capital Assets Being Depreciated:				
Land Improvements	1,048,533	276,782	-	1,325,315
Buildings and Improvements	137,535,973	240,349	-	137,776,322
Furniture and Equipment	7,924,161	168,011	10,106	8,082,066
Total Capital Assets Being Depreciated	146,508,667	685,142	10,106	147,183,703
Total Capital Assets	160,622,045	7,040,010	153,195	167,508,860
Less Accumulated Depreciation:				
Land Improvements	759,812	21,743	-	781,555
Buildings and Improvements	23,217,856	2,994,330	-	26,212,186
Furniture and Equipment	6,657,208	436,019	10,106	7,083,121
Total Accumulated Depreciation	30,634,876	3,452,092	10,106	34,076,862
Governmental Activities Capital Assets, Net	$ 129,987,169	$ 3,587,918	$ 143,089	$ 133,431,998

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

Governmental Activities	
Instruction	$ 655,897
Instructional library, media, and technology	103,563
School site administration	69,042
Home-to-school transportation	207,126
Food services	172,605
All other administration	34,520
Plant services	2,209,339
Total Depreciation Expenses, Governmental Activities	$ 3,452,092

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, 2013, between major and non-major governmental funds are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Fund		
General	$ 3,605	$ 176,690
Total Major Governmental Fund	3,605	176,690
Non-Major Governmental Funds		
Adult Education	-	842
Cafeteria	-	2,708
Deferred Maintenance	176,690	-
Capital Facilities	-	55
Total Non-Major Governmental Funds	176,690	3,605
Total All Governmental Funds	$ 180,295	$ 180,295

The General Fund owes the Deferred Maintenance Fund to assist with repair costs of various District buildings and classrooms.	$ 176,690
The Adult Education Fund owes the General Fund for a transfer of expenses and to maximize the use of a grant award.	842
The Cafeteria Fund owes the General Fund for postage fees and duplicating services.	2,708
The Capital Facilities Fund owes the General Fund for a transfer of salaries correction.	55
Total	$ 180,295

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2013, consisted of the following:

The General Fund transferred to the Cafeteria Fund to assist with operational costs.	$ 100,000
The General Fund transferred to the Deferred Maintenance Fund to assist with repair costs of various District buildings and classrooms.	176,690
Total	$ 276,690

NOTE 6 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2013, consisted of the following:

	General Fund
Vendors	$ 34,961

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2013, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 1,172,093	$ 305,739	$ 259,261	$ 1,737,093
State apportionment	1,730,020	-	-	1,730,020
Salaries and benefits	942,663	-	18,302	960,965
Total	$ 3,844,776	$ 305,739	$ 277,563	$ 4,428,078

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2013, consists of the following:

	General Fund
Federal financial assistance	$ 88,309
State categorical aid	5,514
Local assistance	86,416
Total	$ 180,239

NOTE 9 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

At July 1, 2012, the District had outstanding Tax and Revenue Anticipation Notes in the amount of $2,345,000, which matured on December 31, 2012. On July 2, 2012, the District issued $2,655,000 of Tax and Revenue Anticipation Notes. The notes were issued to supplement cash flows. The notes matured on March 1, 2013 and yielded 2.0 percent interest. By January 31, 2013, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

Issue Date	Rate	Maturity Date	Outstanding July 1, 2012	Additions	Payments	Outstanding June 30, 2013
February 9, 2012	2.0%	December 31, 2012	$ 2,345,000	$ -	$ 2,345,000	$ -
July 2, 2012	2.0%	March 1, 2013		2,655,000	2,655,000	
Total			$ 2,345,000	$ 2,655,000	$ 5,000,000	$ -

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due in One Year
General obligation bonds	$ 55,905,000	$ -	$ 1,595,000	$ 54,310,000	$ 1,610,000
Compensated absences - net	189,779	32,555	-	222,334	-
Capital leases	80,732	-	80,732	-	-
Other postemployment benefits	1,503,221	809,490	549,165	1,763,546	-
Total	$ 57,678,732	$ 842,045	$ 2,224,897	$ 56,295,880	$ 1,610,000

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local tax revenues. The compensated absences and other postemployment benefits will be paid by the fund for which the employee worked. Payments on the capital leases were made by the General Fund.

Bonded Debt

Three issues of general obligation bonds (1998A, 1998B, 1998C Bonds) were refunded with the issuance of the 2003A Refunding Bonds of $26,685,000 on November 6, 2003.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2012	Redeemed	Bonds Outstanding June 30, 2013
August 29, 2003	8/04-2/32	1.10-5.15%	$ 26,685,000	$ 21,055,000	$ 705,000	$ 20,350,000
June 13, 2006	8/07-8/35	4.00-6.25%	27,500,000	24,915,000	645,000	24,270,000
March 9, 2010	8/11-8/35	4.00-5.02%	10,000,000	9,935,000	245,000	9,690,000
Total				$ 55,905,000	$ 1,595,000	$ 54,310,000

Debt Service Requirements to Maturity

2003A

The bonds mature through 2032 as follows:

	2003A		
Fiscal Year	Principal	Interest to Maturity	Total
2014	$ 735,000	$ 1,022,440	$ 1,757,440
2015	775,000	989,238	1,764,238
2016	810,000	953,960	1,763,960
2017	860,000	916,536	1,776,536
2018	900,000	875,670	1,775,670
2019-2023	5,270,000	3,669,696	8,939,696
2024-2028	6,750,000	2,259,831	9,009,831
2029-2032	4,250,000	512,426	4,762,426
Total	$ 20,350,000	$ 11,199,797	$ 31,549,797

2005A

The bonds mature through 2036 as follows:

	2005A		
Fiscal Year	Principal	Interest to Maturity	Total
2014	$ 625,000	$ 1,104,549	$ 1,729,549
2015	650,000	1,069,486	1,719,486
2016	680,000	1,038,351	1,718,351
2017	710,000	1,010,891	1,720,891
2018	745,000	981,791	1,726,791
2019-2023	4,245,000	4,403,043	8,648,043
2024-2028	5,300,000	3,364,217	8,664,217
2029-2033	6,600,000	1,957,865	8,557,865
2034-2036	4,715,000	342,357	5,057,357
Total	$ 24,270,000	$ 15,272,550	$ 39,542,550

2010B

The bonds mature through 2036 as follows:

	2010B		
Fiscal Year	Principal	Interest to Maturity	Total
2014	$ 250,000	$ 487,900	$ 737,900
2015	260,000	477,900	737,900
2016	275,000	467,500	742,500
2017	285,000	456,500	741,500
2018	295,000	445,100	740,100
2019-2023	1,655,000	2,043,900	3,698,900
2024-2028	2,030,000	1,668,426	3,698,426
2029-2033	2,655,000	1,045,349	3,700,349
2034-2036	1,985,000	232,588	2,217,588
Total	$ 9,690,000	$ 7,325,163	$ 17,015,163

The District's total general obligation debt payments are as follows:

Fiscal Year	Principal	Total Interest to Maturity	Total
2014	$ 1,610,000	$ 2,614,889	$ 4,224,889
2015	1,685,000	2,536,624	4,221,624
2016	1,765,000	2,459,811	4,224,811
2017	1,855,000	2,383,927	4,238,927
2018	1,940,000	2,302,561	4,242,561
2019-2023	11,170,000	10,116,639	21,286,639
2024-2028	14,080,000	7,292,474	21,372,474
2029-2033	13,505,000	3,515,640	17,020,640
2033-2036	6,700,000	574,945	7,274,945
Total	$ 54,310,000	$ 33,797,510	$ 88,107,510

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2013, amounted to $222,334.

Capital Leases

The District's liability on the lease agreement is summarized below:

	Phone System
Balance, July 1, 2012	$ 80,732
Payments	80,732
Balance, July 1, 2013	$ -

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2013, was $832,130, and contributions made by the District during the year were $549,165 (includes factor of 1.235 to adjust for the implicit rate subsidy). Interest on the net OPEB obligation and adjustments to the annual required contribution were $75,162 and $(97,802), respectively, which resulted in an increase to the net OPEB obligation of $260,325. As of June 30, 2013, the net OPEB obligation was $1,763,546. See Note 13 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 10,000	$ -	$ -	$ 1,000	$ 11,000
Stores inventories	-	-	-	42,560	42,560
Prepaid expenditures	34,961	-	-	-	34,961
Total Nonspendable	44,961	-	-	43,560	88,521
Restricted					
Legally restricted programs	687,680	-	-	306,697	994,377
Capital projects	-	2,645,314	-	2,586,413	5,231,727
Debt services	-	-	4,677,153	-	4,677,153
Total Restricted	687,680	2,645,314	4,677,153	2,893,110	10,903,257
Committed					
Adult education	-	-	-	639,450	639,450
Deferred maintenance	-	-	-	425,929	425,929
Total Committed	-	-	-	1,065,379	1,065,379
Assigned					
Adult school flood reimbursement	213,190	-	-	-	213,190
CalSTRS returned revenue	11,473	-	-	-	11,473
2012-13 returned furlough values	569,805	-	-	-	569,805
Cash flow reserve for payroll	10,069,193	-	-	-	10,069,193
Future retiree benefits	1,606,780	-	-	-	1,606,780
Capital projects	-	-	-	10,373	10,373
Total Assigned	12,470,441	-	-	10,373	12,480,814
Unassigned					
Reserve for economic uncertainties	1,218,780	-	-	-	1,218,780
Total Unassigned	1,218,780	-	-	-	1,218,780
Total	$ 14,421,862	$ 2,645,314	$ 4,677,153	$ 4,012,422	$ 25,756,751

NOTE 12 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2013, the following District major fund exceeded the budgeted amount as follows:

	Expenditures and Other Uses		
Fund	Budget	Actual	Excess
General			
Capital outlay	$ 713,655	$ 809,917	$ 96,262

NOTE 13 - 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 Delano Joint Union High School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of approximately 35 retirees and beneficiaries currently receiving benefits and approximately 405 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 Delano Joint Union High Teachers Association (DJUHTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2012-2013, the District contributed $444,668 (this does not include factor of 1.235 to adjust for the implicit rate subsidy) to the plan, all of which was used for current premiums (approximately 63 percent of total premiums). Plan members receiving benefits contributed $255,830, or approximately 37 percent of the total premiums. Contributions made by retirees vary depending on their cap at retirement and the coverage selected.

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 thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 832,130
Interest on net OPEB obligation	75,162
Adjustment to annual required contribution	(97,802)
Annual OPEB cost (expense)	809,490
Contributions made	(549,165)
Increase in net OPEB obligation	260,325
Net OPEB obligation, beginning of year	1,503,221
Net OPEB obligation, end of year	$ 1,763,546

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 Contribution	Percentage Contributed	Net OPEB Obligation
2013	$ 809,490	$ 549,165	67.84%	$ 1,763,546
2012	811,832	656,284	80.84%	1,503,221
2011	792,370	465,797	58.79%	1,347,673

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit Cost (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2011	$ -	$ 6,358,647	$ 6,358,647	0.0%	$ 20,958,456	30.3%

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 trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2011, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial 8.0 percent to an ultimate rate of 5.0 percent. The cost trend rate used for the Dental and Vision programs was 4.0 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2013, was 26 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 14 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2013, the District contracted with SISC II for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2013, the District participated in the Self-Insured Schools of California I (SISC I), an insurance purchasing pool. The intent of SISC I is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SISC I. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in SISC I. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of SISC I.

Employee Medical Benefits

The District has contracted with the Self-Insured Schools of California (SISC III) to provide employee health benefits. SISC III is a shared risk pool comprised of agencies in California. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 15 - 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 adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

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 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2013, 2012, and 2011, were $1,160,636, $1,154,158, and $1,734,408, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417 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, 2013, 2012, and 2011, were $1,031,187, $939,869, and $1,040,296, respectively, and equal 100 percent of the required contributions for each year.

SISC Defined Benefit Plan

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the SISC Defined Benefit Plan (SISC Plan) as its alternative plan. Under the SISC Plan there are no deductions from the employee for the SISC Plan or to Social Security. The District pays the full cost of the SISC Plan. Contributions made by the District vest immediately. Vesting is 100 percent in any benefits accumulated beginning on the date of participation. Benefits are designed to be paid out at age 65, however, benefits can be received in cash as a full lump sum distribution after termination of employment. There is no specified length of time to work in order to receive benefits.

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 $1,088,157 (5.176 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 and actual amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 16 - 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, 2013.

Litigation

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

Construction Commitments

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

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Valley Expansion Project	$ 179,567	December 1, 2013
Delano Adult School Flood Repair	62,332	November 30, 2013
Total	$ 241,899	

NOTE 17 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the Self-Insured Schools of California (SISC I, SISC II and SISC III) public entity risk pools. The District pays an annual premium to the applicable entity for its health, workers' compensation, and property and liability coverage. In addition, the District participates in the Kern Schools Legal Service and North Kern Vocational Training Center joint powers authorities. The District pays a premium to Kern Schools Legal Service for legal services.

Pursuant to the joint powers agreement, each member district provides occupational training classes and is required to maintain separate accounts to record related transactions. Average Daily Attendance, which is the basis for State apportionment, is reported to the State by the District educating the pupils. Contract revenues are recognized in the General Fund as reimbursement for providing instruction to classes in the name of North Kern Vocational Training Center. Expenditures are recorded in the General Fund by object category.

The relationships between the District and the risk pools and JPAs are such that they are not component units of the District for financial reporting purposes.

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

The District has not appointed members to any of the Self-Insured Schools of California public entity risk pools.

During the year ended June 30, 2013, the District made payment of $181,853 to SISC I for workers' compensation coverage.

During the year ended June 30, 2013, the District made payment of $213,381 to SISC II for property and liability coverage.

During the year ended June 30, 2013, the District made payment of $5,083,479 to SISC III for employee health insurance.

The District has not appointed members to the governing board of the Kern Schools Legal Service.

During the year ended June 30, 2013, the District made payments of $41,807 to the Kern Schools Legal Service for legal services.

The District has appointed one member to the governing board of the North Kern Vocational Training Center.

During the year ended June 30, 2013, the District made payments of $809,586 to the North Kern Vocational Training Center to provide vocational training programs.

REQUIRED SUPPLEMENTARY INFORMATION

DELANO JOINT UNION HIGH SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variances - Favorable (Unfavorable) Final
	Original	Final	Actual	to Actual
REVENUES				
Revenue limit sources	$ 25,712,836	$ 25,629,555	$ 25,672,088	$ 42,533
Federal sources	6,270,659	5,251,209	4,827,014	(424,195)
Other State sources	9,842,751	7,944,658	7,680,679	(263,979)
Other local sources	1,830,881	2,727,582	2,668,150	(59,432)
Total Revenues [1]	43,657,127	41,553,004	40,847,931	(705,073)
EXPENDITURES				
Current				
Certificated salaries	16,241,054	16,237,317	15,846,862	390,455
Classified salaries	7,127,137	7,542,216	7,464,043	78,173
Employee benefits	8,821,284	8,957,406	8,908,238	49,168
Books and supplies	1,739,773	1,886,346	1,599,055	287,291
Services and operating expenditures	6,180,334	5,842,577	5,480,750	361,827
Other outgo	642,049	709,360	100,258	609,102
Capital outlay	452,261	713,655	809,917	(96,262)
Debt service - principal	80,732	80,732	80,732	-
Debt service - interest	59,450	59,450	59,450	-
Total Expenditures [1]	41,344,074	42,029,059	40,349,305	1,679,754
Excess (Deficiency) of Revenues Over Expenditures	2,313,053	(476,055)	498,626	974,681
Other Financing Sources (Uses)				
Transfers in	300,328	304,000	-	(304,000)
Transfers out	(676,400)	(427,325)	(276,690)	150,635
Net Financing Sources (Uses)	(376,072)	(123,325)	(276,690)	(153,365)
NET CHANGE IN FUND BALANCES	1,936,981	(599,380)	221,936	821,316
Fund Balance - Beginning	14,199,926	14,199,926	14,199,926	-
Fund Balance - Ending	$ 16,136,907	$ 13,600,546	$ 14,421,862	$ 821,316

[1] On behalf payments are not included in the budgeted or actual revenues and expenditures in this schedule. In addition, due to the consolidation of Fund 17, Special Reserve Non-Capital Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the actual revenues and expenditures, however, are not included in the original and final General Fund budgets.

DELANO JOINT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit Cost (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2011	$ -	$ 6,358,647	$ 6,358,647	0.0%	$ 20,958,456	30.3%
July 1, 2009	$ -	$ 5,660,987	$ 5,660,987	0.0%	$ 16,947,055	33.4%
January 13, 2007	$ -	$ 5,679,888	$ 5,679,888	0.0%	$ 16,186,530	35.1%

SUPPLEMENTARY INFORMATION

DELANO JOINT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA/ Contract Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR			
Workforce Investment Act From Other Agencies	17.259	10055	$ 88,398
Total U.S. Department of Labor			88,398
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education (CDE):			
No Child Left Behind			
Title I - Part A, Basic	84.010	14329	1,709,673
Title I - Part C, Migrant Education	84.011	14326	1,528,520
Title I - Part C, Even Start Migrant Education	84.011	14768	39,009
Title II - Part A, Teacher Quality	84.367	14341	169,715
Title II - Part A, Administrator Training	84.367	14344	3,812
Title III - LEP	84.365	14346	134,375
Education Jobs Fund	84.410	25152	17,553
IDEA, Basic Local Assistance Entitlement	84.027	13379	673,831
Adult Education	84.048	14893	6,686
Technology Secondary II C, Section 131	84.048	14894	160,951
Adult Secondary Education	84.002	13978	33,607
Adult Basic Education & ESL	84.002A	14508	74,970
English Literacy & Civics Education	84.002A	14109	40,284
Total U.S. Department of Education			4,592,986
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child and Adult Care Food Program	10.558	13666	7,598
Child Nutrition Cluster			
National School Lunch	10.555	13391	1,222,282
Especially Needy Breakfast	10.553	13526	418,404
Summer Food Program	10.559	13004	35,305
Food Distribution	10.555	13391	125,023
Subtotal Child Nutrition Cluster			1,801,014
Total U.S. Department of Agriculture			1,808,612
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	301,177
Total U.S. Department of Health and Human Services			301,177
Total Expenditures of Federal Awards			$ 6,791,173

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2013

ORGANIZATION

The Delano Joint Union High School District was established in 1911. The District is located in the north central section of Kern County in Delano, California. The area encompassed by the District is mainly diversified agricultural land with some petroleum resources. The District operates Delano High School, Cesar Chavez High School, Robert F. Kennedy High School, Valley High School (Continuation), and Delano Adult School. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Lionel Reyna	President	2014
Art Armendariz	Clerk	2014
Jean Flores	Trustee	2014
Arnold Morrison	Trustee	2016
Anna Perigo	Trustee	2016

ADMINISTRATION

Rosalina Rivera	District Superintendent
Saul Gonzalez	Assistant Superintendent
James Hay	Director of Human Resources

See accompanying note to supplementary information.

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2013

	Second Period Report	Annual Report
SECONDARY		
Regular classes	3,930.95	3,886.86
Continuation education	88.43	88.91
Home and hospital	2.91	3.33
Special education - SDC	82.02	81.79
Special education - Extended Year	4.51	4.51
Total	4,108.82	4,065.40

See accompanying note to supplementary information.

DELANO JOINT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2013

Grade Level	1982-83 Actual Minutes	Reduced 1982-83 Actual Minutes	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2012-13 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 9	51,900	50,458	64,800	63,000	63,109	180	N/A	Complied
Grade 10	51,900	50,458	64,800	63,000	63,109	180	N/A	Complied
Grade 11	51,900	50,458	64,800	63,000	63,109	180	N/A	Complied
Grade 12	51,900	50,458	64,800	63,000	63,109	180	N/A	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2013.

See accompanying note to supplementary information.

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DELANO JOINT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

	(Budget) 2014 [1, 4]	2013 [4]	2012 [4]	2011 [4]
GENERAL FUND				
Revenues	$ 41,522,532	$ 40,838,383	$ 43,502,466	$ 43,833,562
Other sources and transfers in	305,064	300,000	550	96,831
Total Revenues and Other Sources [3]	41,827,596	41,138,383	43,503,016	43,930,393
Expenditures	42,118,117	40,349,326	39,783,440	43,153,807
Other uses and transfers out	427,325	276,690	576,200	817,325
Total Expenditures and Other Uses [3]	42,545,442	40,626,016	40,359,640	43,971,132
INCREASE (DECREASE) IN FUND BALANCE	$ (717,846)	$ 512,367	$ 3,143,376	$ (40,739)
ENDING FUND BALANCE	$ 12,097,237	$ 12,815,083	$ 12,302,716	$ 9,159,340
AVAILABLE RESERVES [2]	$ 1,276,363	$ 1,218,780	$ 1,210,789	$ 8,601,764
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.00%	3.00%	3.00%	19.56%
LONG-TERM OBLIGATIONS	Not Available	$ 56,295,880	$ 57,678,732	$ 58,959,585
K-12 AVERAGE DAILY ATTENDANCE AT P-2	4,113	4,109	4,127	4,162

The General Fund balance has increased by $3,655,743 over the past two years. The fiscal year 2013-2014 budget projects a decrease of $717,846 (5.6 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years, but anticipates incurring an operating deficit during the 2013-2014 fiscal year. Total long-term obligations have decreased by $2,663,705 over the past two years.

Average daily attendance has decreased by 53 over the past two years. Growth of four ADA is anticipated during fiscal year 2013-2014.

[1] Budget 2014 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances contained with the General Fund.
[3] On behalf payments have been excluded from this schedule.
[4] General Fund amounts do not include activity related to the consolidation of the Special Reserve Non-Capital Fund as required by GASB Statement No. 54.

See accompanying note to supplementary information.

DELANO JOINT UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

	Adult Education Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	$ 600,319	$ 19,439	$ 155,048
Receivables	55,334	22	244,339
Due from other funds	-	-	-
Stores inventories	-	-	42,560
Total Assets	$ 655,653	$ 19,461	$ 441,947
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 14,361	$ -	$ 109,443
Due to other funds	842	-	2,708
Total Liabilities	15,203	-	112,151
Fund Balances:			
Nonspendable	1,000	-	42,560
Restricted	-	19,461	287,236
Committed	639,450	-	-
Assigned	-	-	-
Total Fund Balances	640,450	19,461	329,796
Total Liabilities and Fund Balances	$ 655,653	$ 19,461	$ 441,947

See accompanying note to supplementary information.

Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
$ 252,256	$ 2,606,085	$ 115,097	$ 10,361	$ 3,758,605
437	15,460	131	12	315,735
176,690	-	-	-	176,690
-	-	-	-	42,560
$ 429,383	$ 2,621,545	$ 115,228	$ 10,373	$ 4,293,590
$ 3,454	$ 136,205	$ 14,100	$ -	$ 277,563
-	55	-	-	3,605
3,454	136,260	14,100	-	281,168
-	-	-	-	43,560
-	2,485,285	101,128	-	2,893,110
425,929	-	-	-	1,065,379
-	-	-	10,373	10,373
425,929	2,485,285	101,128	10,373	4,012,422
$ 429,383	$ 2,621,545	$ 115,228	$ 10,373	$ 4,293,590

DELANO JOINT UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	Adult Education Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	$ 155,547	$ -	$ 1,683,589
Other State sources	711	-	147,166
Other local sources	2,789	98	201,874
Total Revenues	159,047	98	2,032,629
EXPENDITURES			
Current			
Instruction	110,998	-	-
Instruction-related activities:			
School site administration	51,465	-	-
Pupil services:			
Food services	-	-	2,233,031
Administration:			
All other administration	-	-	-
Plant services	2,477	-	-
Facility acquisition and construction	-	-	-
Total Expenditures	164,940	-	2,233,031
Excess (Deficiency) of Revenues Over Expenditures	(5,893)	98	(200,402)
Other Financing Sources (Uses)			
Transfers in	-	-	100,000
Net Financing Sources (Uses)	-	-	100,000
NET CHANGE IN FUND BALANCES	(5,893)	98	(100,402)
Fund Balance - Beginning	646,343	19,363	430,198
Fund Balance - Ending	$ 640,450	$ 19,461	$ 329,796

See accompanying note to supplementary information.

	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
	$ -	$ -	$ -	$ -	$ 1,839,136
	-	-	-	-	147,877
	2,562	241,339	2,274	52	450,988
	2,562	241,339	2,274	52	2,438,001
	-	-	-	-	110,998
	-	-	-	-	51,465
	-	-	-	-	2,233,031
	-	164	-	-	164
	10,005	120,716	-	-	133,198
	312,673	287,540	94,143	-	694,356
	322,678	408,420	94,143	-	3,223,212
	(320,116)	(167,081)	(91,869)	52	(785,211)
	176,690	-	-	-	276,690
	176,690	-	-	-	276,690
	(143,426)	(167,081)	(91,869)	52	(508,521)
	569,355	2,652,366	192,997	10,321	4,520,943
	$ 425,929	$ 2,485,285	$ 101,128	$ 10,373	$ 4,012,422

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2013

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of the fair value of commodities received that are not recorded in the financial statements.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 6,666,150
Reconciling items:		
Food Distribution	10.555	125,023
Total Schedule of Expenditures of Federal Awards		$ 6,791,173

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code* Section 46201.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

INDEPENDENT AUDITORS' REPORTS

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

Governing Board
Delano Joint Union High School District
Delano, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Delano Joint Union High School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Delano Joint Union High School District's basic financial statements, and have issued our report thereon dated December 14, 2013.

Internal Control Over Financial Reporting

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

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

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

6051 N. Fresno Street, Suite 101 Fresno, CA 93710 Tel: 559.248.0871 Fax: 559.248.0875 www.vtdcpa.com
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Compliance and Other Matters

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

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

Fresno, California
December 14, 2013

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

Governing Board
Delano Joint Union High School District
Delano, California

Report on Compliance for Each Major Federal Program

We have audited Delano Joint Union High School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Delano Joint Union High School District's (the District) major Federal programs for the year ended June 30, 2013. Delano Joint Union High School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Delano Joint Union High School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Delano Joint Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Delano Joint Union High School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Delano Joint Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Delano Joint Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Delano Joint Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Delano Joint Union High School District's internal control over compliance.

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

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

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

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 14, 2013

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

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Delano Joint Union High School District
Delano, California

Report on State Compliance

We have audited Delano Joint Union High School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2012-2013* that could have a direct and material effect on each of Delano Joint Union High School District's State government programs as noted below for the year ended June 30, 2013.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of each of the Delano Joint Union High School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-2013*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Delano Joint Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Delano Joint Union High School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Delano Joint Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2013.

6051 N. Fresno Street, Suite 101 Fresno, CA 93710 Tel: 559.248.0871 Fax: 559.248.0875 www.vtdcpa.com

FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Not Applicable
Independent Study	23	No (see below)
Continuation Education	10	Yes (see below)
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction Program (including in charter schools):		
General Requirements	7	Not Applicable
Option One Classes	3	Not Applicable
Option Two Classes	4	Not Applicable
Districts or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable

We did not perform testing for independent study because the independent study ADA was under the level that requires testing. Additionally, we did not perform the steps related to the work study nor to the independent study ratio components as the District does not offer either program at their continuation school.

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 14, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DELANO JOINT UNION HIGH SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013

FINANCIAL STATEMENTS	
Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No
Identification of major programs:	

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I - Part A, Basic
84.027	IDEA, Basic Local Assistance Entitlement

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Type of auditors' report issued on compliance for programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

None reported.

DELANO JOINT UNION HIGH SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

State Awards Findings

2012-1 40000

District Office

Exclusion of Pupils – Pertussis Immunization

Criteria

Students under the age of 18 should have a Pertussis booster vaccine given on or after their 7th birthday, or a Pertussis booster immunization exemption statement by the 30th calendar day after the student's first day of attendance as per Health and Safety Code Section 120335.1(a). The District cannot claim any attendance on or after the student's 31st calendar day of school until the student has received their Pertussis booster vaccine or has filed an immunization exemption.

Condition

During our audit of the Pertussis records, we discovered one student did not have the required Pertussis booster vaccine given on or after their 7th birthday or an immunization exemption statement by the 30th calendar day after their first day of attendance.

Effect

At the time of our audit of the pertussis records, we discovered the unallowable ADA and notified the District to exclude it from the P2 and Annual attendance reports. Therefore the P2 and annual are correctly stated. The 0.27 ADA was correctly excluded from the P2, therefore, there is no questioned cost. Additionally, the 0.22 ADA was excluded from the Annual reporting period.

Cause

The District did not ensure ADA was not claimed for those students who did not have their Pertussis booster vaccine within the required time period.

Recommendation

The District correctly excluded the disallowed ADA from the P2 and annual attendance reports.

Corrective Action Plan

The implementation of this requirement during the 2011-12 fiscal year certainly presented challenges given the number of students that needed to be monitored. Going forward, we feel the following steps will address the requirement:

Incoming Freshmen, existing students and Transfers-in:

1. If the student does not have current immunization, a letter is sent to the parent.
2. The student is called into the Nurse's Office for notification of requirement.
3. The parent is given two weeks from letter notification to present record of updated immunizations.
4. Nursing staff places student on list for monitoring.
5. If no action is taken by the parent, a letter is sent notifying parent that they have ten days to update immunization or the student will be excluded from school.
6. If no action is taken by the 10th day, the parent is contacted to pick up the child.
7. Re-entry is allowed only when evidence of current immunizations is received.

Current Status

Implemented.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Delano Joint Union High School District (the "District") in connection with the execution and delivery of $__________ aggregate principal amount of 2014 General Obligation Refunding Bonds (Election of 2005, Series A) (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Trustees of the District on May 13, 2014 (the "Resolution"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist Stifel, Nicolaus & Company, Incorporated (the "Underwriter") in complying with Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, 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 4 and 5 of this Disclosure Agreement.

"Bondholder" or "Holder" means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

"Designated Material Event" means any of the events listed in Section 6(a) of this Disclosure Agreement.

"Dissemination Agent" shall mean any dissemination agent, or any alternate or successor dissemination agent, designated in writing by the Superintendent or Assistant Superintendent (or otherwise by the District), which Dissemination Agent has evidenced its acceptance in writing. Initially, the Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc.

"Material Events Disclosure" means dissemination of a notice of a Material Event as set forth in Section 6.

"MSRB" shall mean the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") website located at http://emma.msrb.org, or any other repository designated by the Securities and Exchange Commission.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated May ___, 2014 ("Final Official Statement").

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 275 days after the end of the District's fiscal year (currently ending June 30), commencing with the report for the fiscal year ending June 30, 2014, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine the name and address of the MSRB each year prior to the date established hereunder for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the MSRB as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's preceding fiscal year (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) Outstanding indebtedness and lease obligations;

(ii) General fund budget and actual results;

(iii) Average daily attendance and revenue limit information, or equivalent information, as may be reasonably available;

(iv) Assessed valuations; and

(v) Largest local secured taxpayers.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Designated Events.

(a) The District agrees to provide or cause to be provided to the MSRB and the California Department of Education notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

(i) Principal and interest payment delinquencies.

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

(iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.

(iv) Substitution of or failure to perform by any credit provider.

(v) Issuance by the Internal Revenue Service of an adverse tax opinion, a proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) Tender Offers;

(vii) Defeasances;

(viii) Rating Changes;

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person.

For purposes of item (ix) above, the described event shall be deemed to occur when any of the following shall occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or other governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority have supervision or jurisdiction over substantially all of the assets or business of the District.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten (10) Business Days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, other material events affecting the tax status of the Bonds;

(ii) Modifications of rights to Bondholders;

(iii) Optional, unscheduled or contingent Bond calls;

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

(v) Non-payment related defaults;

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

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

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

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Disclosure Agreement, and no implied duties, covenants or obligations shall be read into this Disclosure Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Disclosure Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Disclosure Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Disclosure Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Disclosure Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Disclosure Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Disclosure Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only 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 the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would 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 amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report 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.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder 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 Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: __________, 2014

DELANO JOINT UNION HIGH SCHOOL DISTRICT

By:______________________________________
Superintendent

ACCEPTED:

ISOM ADVISORS, a Division of Urban Futures, Inc.
as Dissemination Agent

By:______________________________________
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Delano Joint Union High School District

Name of Issue: $__________ 2014 General Obligation Refunding Bonds (Election of 2005, Series A)

Date of Issuance: June [12], 2014

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated June [12], 2014. The District anticipates that the Annual Report will be filed by ___________________.

Dated: _______________________________

[ISSUER/DISSEMINATION AGENT]

By:____

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APPENDIX E

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 Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment 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, DTC Participants or DTC 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 "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

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

DTC, the world's largest 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 and www.dtc.org. *The foregoing internet addresses are included for reference only, and the information on these internet sites is not incorporated by reference herein.*

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 affect 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.

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 (or the Paying Agent on behalf thereof) 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).

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest 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 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 Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository).Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

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, transfer and exchange 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, payments 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 Record Date through the next Interest Payment Date.

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APPENDIX F

SPECIMEN MUNICIPAL BOND
INSURANCE POLICY

[See attached, if applicable]

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