NEW ISSUE—BOOK-ENTRY ONLY

RATINGS:
Moody's: "Aa2"
S&P: "AA"
See "RATINGS" herein.

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

$21,000,000
FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
(Orange and Los Angeles Counties, California)
General Obligation Bonds
Election of 2014, Series D (2019)

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

The $21,000,000 Fullerton Joint Union High School District (Orange and Los Angeles Counties, California) General Obligation Bonds, Election of 2014, Series D (2019) (the "Bonds") are being issued by the Fullerton Joint Union High School District (the "District") pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code and a resolution of the Board of Trustees of the District. A duly called special municipal election was held in the District on November 4, 2014, and thereafter canvassed pursuant to law. At such election there was submitted to and approved by the requisite fifty-five percent (55%) vote of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District to upgrade classrooms, science labs, sites, facilities; repair roofs, floors, plumbing, heating, ventilation and electrical systems; improve student safety and security; upgrade career training facilities and technology infrastructure (the "Project"), in the maximum aggregate principal amount of $175,000,000 (the "Authorization"). In 2015, the District issued its $42,500,000 Fullerton Joint Union High School District (Orange and Los Angeles Counties, California) General Obligation Bonds, Election of 2014, Series A (2015), under the Authorization. In 2017, the District issued its $40,000,000 Fullerton Joint Union High School District (Orange and Los Angeles Counties, California) General Obligation Bonds, Election of 2014, Series B (2017), under the Authorization. In 2018, the District issued its $48,000,000 Fullerton Joint Union High School District (Orange and Los Angeles Counties, California) General Obligation Bonds, Election of 2014, Series C (2018), under the Authorization. The Bonds represent the fourth issue under the Authorization and are being issued for the purpose of raising moneys for the Project and other authorized costs. The Bonds will be issued as current interest bonds.

The Bonds constitute general obligations of the District payable solely from *ad valorem* property taxes levied and collected by Orange and Los Angeles Counties (the "Counties"). The Boards of Supervisors of the Counties are empowered and obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of interest on, and principal of, the Bonds upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), all as more fully described herein under "THE BONDS" and "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Property Taxation System."

The Bonds are issuable in denominations of $5,000 and any integral multiple thereof. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2019. See "THE BONDS" herein. The Bonds will be delivered in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by U.S. Bank National Association, as paying agent, to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY SYSTEM" herein.

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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES AND YIELDS

CUSIP† Prefix: 359796

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Suffix	Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Suffix
2020	$180,000	5.500%	1.360%	105.833	GL7	2032	$ 820,000	5.250%	2.430%	122.508c	GY9
2021	200,000	5.500	1.370	109.827	GM5	2033	940,000	5.250	2.510	121.791c	GZ6
2022	20,000	5.500	1.410	113.638	GN3	2034	400,000	5.250	2.560	121.345c	HA0
2023	60,000	5.500	1.470	117.213	GP8	2035	600,000	5.250	2.620	120.813c	HB8
2024	115,000	5.500	1.480	120.890	GQ6	2036	1,300,000	5.250	2.680	120.283c	HC6
2025	180,000	5.500	1.560	124.006	GR4	2037	1,460,000	5.000	2.770	117.529c	HD4
2026	250,000	5.500	1.660	126.728	GS2	2038	1,630,000	5.000	2.820	117.097c	HE2
2027	330,000	5.500	1.780	128.992	GT0	2039	1,815,000	4.000	3.350	104.977c	HF9
2028	410,000	5.500	1.890	129.527c	GU7	2040	1,990,000	4.000	3.400	104.584c	HG7
2029	500,000	5.500	2.020	128.296c	GV5	2041	2,590,000	3.500	3.580	98.771	HH5
2030	600,000	5.250	2.180	124.782c	GW3	2042	3,905,000	3.500	3.600	98.424	HJ1
2031	705,000	5.250	2.320	123.502c	GX1						

This cover page contains information for quick reference only. It are <u>not</u> a summary of these issues. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued, and received by the purchaser thereof, subject to the approval as to their validity by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, Disclosure Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about February 27, 2019.

February 14, 2019

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c Priced to the February 1, 2028, par call date.

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

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

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

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

Document Summaries. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

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

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

Website. The District maintains a website. Unless specifically indicated otherwise, the information presented on such website is not incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

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FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
1051 West Bastanchury Road
Fullerton, California 92833
(714) 870-2800
http://www.fjuhsd.org/*

DISTRICT ADMINISTRATION

V. Scott Scambray, Ed.D., *Superintendent*
Joan Velasco, *Assistant Superintendent, Business Services*
Todd Butcher, *Director of Facilities and Construction*
David Bennett, *Director of Business Services*
Diane Warner, *Director of Fiscal Services*

PROFESSIONAL SERVICES

BOND COUNSEL and DISCLOSURE COUNSEL
Quint & Thimmig LLP
Larkspur, California

MUNICIPAL ADVISOR
Fieldman, Rolapp & Associates, Inc.
Irvine, California

PAYING AGENT
U.S. Bank National Association
Los Angeles, California

*Information therein is not incorporated by reference into this Official Statement.

$21,000,000
FULLERTON JOINT UNION HIGH SCHOOL DISTRICT
(Orange and Los Angeles Counties, California)
General Obligation Bonds
Election of 2014, Series D (2019)

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of the $21,000,000 Fullerton Joint Union High School District (Orange and Los Angeles Counties, California) General Obligation Bonds, Election of 2014, Series D (2019) (the "Bonds").

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

The District

The District is located primarily in Orange County (the "Orange County"), with a small portion in southeastern Los Angeles County ("Los Angeles County" and, with Orange County, the "Counties"). The District was organized in 1893 and serves grades nine through twelve. The District serves an area comprising approximately 55 square miles. The District operates six comprehensive high schools, one continuation high school and one alternative high school. Average daily attendance in the District for the 2017-18 fiscal year was 13,443.

For more complete information concerning the District, including certain financial information, see "THE DISTRICT" and APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION. The District's audited financial statements for the fiscal year ended June 30, 2018, are included as APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018.

Sources of Payment for the Bonds

The Bonds constitute general obligations of the District payable solely from *ad valorem* property taxes levied and collected by the Counties. The Boards of Supervisors of the respective Counties are empowered and are obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

Authority for Issue; Purpose of Issue

The Bonds are being issued by the District pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code and a resolution adopted by the Governing Board of the District (the "Governing Board") on February 5, 2019 (the "Resolution").

The Bonds are being issued to (a) finance the acquisition, construction and improvement of educational facilities and projects which were described in the ballot measure approved by the electors of the District on November 4, 2014, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of $175,000,000 (the "2014 Authorization"), and (b) pay for costs of issuance of the Bonds. In 2015, the District issued its $42,500,000 Fullerton Joint Union High School District (Orange and Los Angeles Counties, California) General Obligation Bonds, Election of 2014, Series A (2015), under the 2014 Authorization. In 2017, the District issued its $40,000,000 Fullerton Joint Union High School District (Orange and Los Angeles Counties, California) General Obligation Bonds, Election of 2014, Series B (2017), under the 2014 Authorization. In 2018, the District issued its $48,000,000 Fullerton Joint Union High School District (Orange and Los Angeles Counties, California) General Obligation Bonds, Election of 2014, Series C (2018), under the 2014 Authorization. The Bonds represent the fourth issue under the Authorization.

Description of the Bonds

The Bonds are being issued as current interest bonds. The Bonds will be dated as of their date of delivery, will be issued as fully registered bonds, without coupons, in the denominations of $5,000 principal amount or any integral multiple thereof. Interest on the Bonds accrues from their date of delivery and is payable semiannually on each February 1 and August 1 (each an "Interest Payment Date"), commencing August 1, 2019.

The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth on the cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" and APPENDIX G—BOOK-ENTRY SYSTEM. In event that the book-entry system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution as described herein. See "THE BONDS—Registration, Transfer and Exchange of Bonds." Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or any integral multiple thereof.

Certain of the Bonds are subject to redemption prior to maturity. See "THE BONDS—Redemption."

Tax Matters

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS."

Offering and Delivery

The Bonds are offered when, as and if issued and received by the purchaser, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about February 27, 2019.

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be made available and of the notices of enumerated events is summarized below under the caption "CONTINUING DISCLOSURE." Also, see APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available for inspection at the office of the Director of Fiscal Services, Fullerton Joint Union High School District, 1051 West Bastanchury Road, Fullerton, CA 92833, telephone (714) 870-2800. The District may impose a charge for copying, mailing and handling.

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

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

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code. The Bonds are authorized pursuant to the Resolution.

Purposes of Issuance

The Bonds are being issued to (a) finance the acquisition, construction and improvement of educational facilities and projects which were described in the 2014 Authorization, and (b) pay for costs of issuance of the Bonds. See "—Estimated Sources and Uses of Funds."

The District has authorized and issued certain other general obligation bonds. See "APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION—District Debt Structure."

Security

The Bonds constitute general obligations of the District payable solely from *ad valorem* property taxes levied and collected by the Counties. The Boards of Supervisors of the respective Counties are empowered and are obligated to levy *ad valorem* taxes for the payment of the Bonds, and the interest thereon, upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes are required to be levied annually, in addition to all other taxes, during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. The levy may include an allowance for a reserve, established to avoid fluctuations in tax levies. Such taxes, when collected, will be deposited, with respect to the Bonds, into the Debt Service Fund and which is required by the California Education Code to be applied for the payment of principal of and interest on the Bonds when due. Although the Counties are obligated to levy an *ad valorem* tax for the payment of the Bonds, and the Treasurer-Tax Collectors of the Counties will maintain the Debt Service Fund, the Bonds are a debt of the District, not of the Counties.

Moneys placed in the Debt Service Fund of the District are irrevocably pledged for the payment of the principal of and interest on the Bonds when and as the same fall due. The property taxes and amounts held in the Debt Service Fund of the District shall immediately be subject to this pledge, and the pledge shall constitute a lien and security interest which shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The pledge is an agreement between the District and the Owners of the Bonds in addition to the statutory lien in accordance with section 53515(a) of the California Government Code, and the Bonds were issued to finance one or more projects and not to finance the general purposes of the District.

In accordance with section 53515(a) of the California Government Code, the Bonds shall be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax for the 2014 Authorization. The lien shall automatically attach without further action or authorization by the District or the Counties. The lien shall be valid and binding from the time the Bonds are issued and delivered. The revenues received pursuant to the levy and collection of the tax shall be immediately subject to the lien, and the lien shall automatically attach to the revenues and be effective, binding, and enforceable against the District, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any physical delivery, recordation, filing, or further act.

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

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

Description of the Bonds

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

Interest on the Bonds accrues from their date of delivery and is payable semiannually on each Interest Payment Date. Interest on the Bonds accrues on the basis of a 360-day year comprised of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to that Interest Payment Date, inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before July 15, 2019, in which event it will bear interest from its date of delivery.

The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on the dates, in the years and amounts set forth on the cover page hereof. The principal of and interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check or draft of the Paying Agent mailed by first-class mail to the Owner at the Owner's address as it appears on the registration books maintained by the Paying Agent as of the close of business on the fifteenth day of the month next preceding such interest payment date (the "Record Date"), or at such other address as the Owner may have filed with the Paying Agent for that purpose; provided however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of the Bonds in the aggregate principal amount of $1,000,000 or more who shall furnish written wire instructions to the Paying Agent at least five (5) days before the applicable Record Date. See also "Book Entry Only System" below.

See the maturity schedule on the cover page hereof and "Debt Service Schedule."

Payment

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

Redemption

Optional Redemption. The Bonds maturing on and prior to August 1, 2027, are not callable for redemption prior to their stated maturity date. The Bonds maturing on and after August 1, 2028, are callable for redemption prior to their stated maturity date at the option of the District, in whole or in part on any date on or after February 1, 2028, from any source lawfully available therefor, at a redemption price equal to the principal amount of the Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

Selection of Bonds for Redemption. If less than all of the Bonds are called for redemption, the particular Bonds or portions thereof to be redeemed shall be called in such order as shall be directed by the District and, in lieu of such direction, in inverse order of their maturity. Within a maturity, the Paying Agent shall select the Bonds for redemption by lot; *provided, however*, that the portion of any Bonds to be redeemed shall be in the principal amount of $5,000 or some integral multiple thereof and that, in selecting Bonds for redemption, the Paying Agent shall treat each Bonds as representing that number of Bonds which is obtained by dividing the principal amount of such Bonds by five thousand dollars.

Notice of Redemption. The Paying Agent is required to mail (by first class mail) notice of any redemption to: (i) the respective Owners of any Bonds designated for redemption, at least thirty (30) but not more than sixty (60) days prior to the redemption date, at their respective addresses appearing on the Bond Register, and (ii) the Securities Depositories and to one or more Information Services, at least thirty (30) but not more than sixty (60) days prior to the redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Notwithstanding the foregoing, in the case of any optional redemption of the Bonds, the notice of redemption will state that the redemption is conditioned upon receipt by the Paying Agent of sufficient moneys to redeem the Bonds on the scheduled redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Bonds have not been deposited with the Paying Agent. In the event that the Paying Agent does not receive sufficient funds by the scheduled optional redemption date to so redeem the Bonds to be optionally redeemed, the Paying Agent will send written notice to the Owners, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes.

Conditional Notice of Redemption. Any notice of optional redemption of the Bonds may be conditional and if any condition stated in the 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 be cancelled and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons and 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. The actual receipt by the owner of any Bonds of notice of such cancellation shall not be a condition precedent to cancellation, and failure to receive such notice or any defect in such notice shall not affect the validity of the cancellation.

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

Partial Redemption of Bonds. In the event only a portion of any Bonds is called for redemption, then upon surrender of such Bonds the District will execute and the Paying Agent will authenticate and deliver to the Owner thereof, at the expense of the District, a new Bond or Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed. Bonds need not be presented for mandatory sinking fund redemptions.

Effect of Redemption. Notice having been given as described above, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside for such purpose, the Bonds to be redeemed will 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, will be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof will have been given as aforesaid, then from and after such redemption date, interest with respect to the Bonds to be redeemed will cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds will be held in trust for the account of the registered owners of the Bonds so to be redeemed. Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, and sufficient moneys are held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, then such Bonds will no longer be deemed outstanding and will be surrendered to the Paying Agent for cancellation.

Defeasance

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

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

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

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

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

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

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Resolution or provision satisfactory to the Paying Agent will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

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

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

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

Registration, Transfer and Exchange of Bonds

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Bonds as provided in the Resolution (the "Bond Register"). Subject to the provisions of the Resolution, the person in whose name a Bond is registered on the Bond Register will be regarded as the absolute owner of that Bond for all purposes of the Resolution. Payment of or on account of the principal of any Bond will be made only to or upon the order of that person; neither the District, nor the Paying Agent will be affected by any notice to the contrary, but the registration may be changed as provided in the Resolution. All such payments will be valid and effectual to satisfy and discharge the District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

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

Any Bond may be exchanged for Bonds of like tenor, maturity, and outstanding principal amount or maturity value (the "Transfer 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 the Bond at the principal office of the Paying Agent together with an assignment executed by the 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 will 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 Transfer Amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

In all cases of exchanged or transferred Bonds, the District will sign, and the Paying Agent will authenticate and deliver Bonds in accordance with the provisions of the Resolution. All fees and costs of transfer will be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Bonds issued upon any exchange or transfer will be valid obligations of the District, evidencing the same debt, and entitled to the same security and benefit under the Resolution as the Bonds surrendered upon that exchange or transfer.

Any Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer will be canceled by the Paying Agent. The District may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Bonds that the District may have acquired in any manner whatsoever, and those Bonds will be promptly canceled by the Paying Agent. Written reports of the surrender and cancellation of Bonds will be made to the District by the Paying Agent. The canceled Bonds will be retained for a period of time, then returned to the District or destroyed by the Paying Agent as directed by the District.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 16th business day next preceding either any interest payment date or any date of selection of Bonds to be redeemed and ending with the close of business on the interest payment date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Estimated Sources and Uses of Funds

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

Sources of Funds:	
Principal Amount of Bonds	$21,000,000.00
Plus: Net Original Issue Premium	2,335,981.25
Total Sources of Funds	$23,335,981.25
Uses of Funds:	
Deposit to Building Fund	$20,709,750.00
Deposit to Debt Service Fund	2,335,981.25
Costs of Issuance (1)	290,250.00
Total Uses of Funds	$23,335,981.25

(1) Includes the Underwriter's discount, the fees of the municipal advisor, bond counsel, disclosure counsel, the rating

agencies and other third-party providers. Any excess in the Costs of Issuance Fund will be transferred to the District's Debt Service Fund.

Permitted Investments

Under California law, the District is generally required to pay all moneys received from any source into the Orange County treasury to be held on behalf of the District. The proceeds from the sale of the Bonds to the extent of the principal amount thereof, will be deposited in the Orange County treasury to the credit of the Building Fund (with the exception of amounts transferred to U.S. Bank National Association to pay costs of issuance of the Bonds) and shall be accounted for, together with the proceeds of other bonds of the District separately from all other District and Orange County funds. Such proceeds shall be applied solely for the purposes for which the Bonds were authorized. Any premium or accrued interest from the sale of the bonds shall be deposited in the Debt Service Fund of the District held in the Orange County treasury and will be used to pay interest on the Bonds as it becomes due. Interest and earnings on each fund established with respect to the Bonds will accrue to such fund.

All funds held by the Orange County Treasurer (the " Orange County Treasurer") in the Building Fund and the Debt Service Fund are expected to be invested at the sole discretion of the Orange County Treasurer, on behalf of the District, in investment pools of the Orange County into which the District may lawfully invest its funds, any investments authorized pursuant to the California Government Code 53601, and following of the California Government Code all in accordance with the investment policy of the Orange County, as such statutes and investment policy may be amended or supplemented from time to time. Under existing law, amounts in the Building Fund are required to be invested in the Orange County treasury and will be invested in the Orange County Educational Investment Pool. At no time shall the proceeds be withdrawn by the District for investment outside the Orange County treasury.

See "ORANGE COUNTY EDUCATIONAL INVESTMENT POOL DISCLOSURE" and APPENDIX D — "ORANGE COUNTY INVESTMENT POLICY STATEMENT."

A portion of the proceeds of the Bonds will be retained by the Paying Agent in a costs of issuance account (the "Costs of Issuance Account") and used to pay costs associated with the issuance of the Bonds.

Debt Service Schedule

The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions).

Bond Year Ending August 1	Principal	Interest (1)	Total
2019	—	$ 401,752.85	$ 401,752.85
2020	$ 180,000	939,162.50	1,119,162.50
2021	200,000	929,262.50	1,129,262.50
2022	20,000	918,262.50	938,262.50
2023	60,000	917,162.50	977,162.50
2024	115,000	913,862.50	1,028,862.50
2025	180,000	907,537.50	1,087,537.50
2026	250,000	897,637.50	1,147,637.50
2027	330,000	883,887.50	1,213,887.50
2028	410,000	865,737.50	1,275,737.50
2029	500,000	843,187.50	1,343,187.50
2030	600,000	815,687.50	1,415,687.50
2031	705,000	784,187.50	1,489,187.50
2032	820,000	747,175.00	1,567,175.00
2033	940,000	704,125.00	1,644,125.00
2034	400,000	654,775.00	1,054,775.00
2035	600,000	633,775.00	1,233,775.00
2036	1,300,000	602,275.00	1,902,275.00
2037	1,460,000	534,025.00	1,994,025.00
2038	1,630,000	461,025.00	2,091,025.00
2039	1,815,000	379,525.00	2,194,525.00
2040	1,990,000	306,925.00	2,296,925.00
2041	2,590,000	227,325.00	2,817,325.00
2042	3,905,000	136,675.00	4,041,675.00
TOTAL	$21,000,000	$16,404,952.85	$37,404,952.85

(1) Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2019.

PAYING AGENT

U.S. Bank National Association, Los Angeles, California, will act as the paying agent for the Bonds (the "Paying Agent"). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Bonds called for redemption or of any other action premised on such notice.

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

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company, 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. See APPENDIX G—BOOK-ENTRY SYSTEM.

THE DISTRICT

General Information

The District was organized in 1893 and serves grades 9-12. It serves a fifty-five square-mile area that includes the elementary districts of Buena Park, Fullerton, La Habra and Lowell Joint. The District operates six four-year comprehensive high schools -- Buena Park, Fullerton, La Habra, Sonora, Sunny Hills, and Troy. La Vista High School, a continuation high school and La Sierra High School, an alternative high school, also serves District students. A comprehensive summer school program is offered each year. The District's school year consists of 180 instructional days of 360 minutes each.

Board of Trustees and Administration

The District is governed by a five-member District Board, each member of which is elected to a four-year term. Elections for positions to the District Board are held every two years, alternating between two and three available positions.

District Board Member	Office	Current Term Expires (December)
Joanne Fawley	President	2020
Andy Montoya	Clerk	2020
Marilyn Buchi	Board Member	2022
Chester Jeng	Board Member	2022
Lauren Klatzker	Board Member	2022

The District's day-to-day operations are managed by a board-appointed Superintendent of Schools. Dr. V. Scott Scambray was appointed as Superintendent of the District on July 1, 2015. Dr. Scambray has over 31 years of experience in California schools. Joan Velasco serves as the Assistant Superintendent of Business Services, Todd Butcher serves as Director of Facilities and Construction, and Diane Warner serves as the Director of Fiscal Services for the District.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

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

General

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, the Board of Supervisors of the Counties are empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District, including the countywide tax of 1% of taxable value. When collected, the tax revenues will be deposited by the Counties in the District's Debt Service Fund, which is required to be maintained by Orange County and to be used solely for the payment of bonds of the District.

Property Taxation System

The collection of property taxes is significant to the District and the Owners of the Bonds in two respects. First, the Boards of Supervisors of the Counties will levy and collect *ad valorem* taxes on all taxable parcels within the District, which are pledged specifically to the repayment of the Bonds. Second, the general *ad valorem* property tax levy levied in accordance with Article XIIIA of the California Constitution and its implementing legislation is taken into account in connection with the State's Local Control Funding Formula ("LCFF") which determines the amount of funding received by the District from the State to operate the District's educational programs. The LCFF replaces revenue limit and most categorical program funding previously used to determine the amount of funding received by the District from the State with the LCFF which consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district's student demographic. See APPENDIX B-- "DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION – Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System" and " –2016-17 State Budget Provisions Specific to K through 12 Education" below. As described below, the general *ad valorem* property tax levy and the additional *ad valorem* property tax levy pledged to repay the Bonds will be collected on the annual tax bills distributed by the Counties to the owners of parcels within the boundaries of the District.

The District received approximately 42.8% of its total general fund operating revenues from local property taxes in fiscal year 2017-18, excluding parcel tax revenues.

Local property taxation is the responsibility of various officers of the counties. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county Treasurer-Tax Collector prepares and mails tax bills to taxpayers and collects the taxes according to the approved tax rolls. In addition, the treasurer-tax collector, as *ex officio* treasurer of each school district located in the county, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on such bonds when due. Taxes on property in a school district whose boundaries extend into more than one county are administered separately by the county in which the property is located. The State Board of Equalization also assesses certain special classes of property, as described later in this section.

Method of Property Taxation

Under Proposition 13, an amendment to the California Constitution adopted in 1978 that added Article XIIIA of the California Constitution, the county assessor's valuation of real property is established as shown on the fiscal year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed 2% per year or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than that of similar properties more recently sold and may be lower than its own market value. Likewise, changes in ownership of property and reassessment of such property to market value commonly will lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full 2% increase on any property that has not changed ownership. See APPENDIX B-DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION.

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

Local agencies and schools will share the growth of "base" sources from the tax rate area. Each year's growth allocation becomes part of each local agency's allocation in the following year. The availability of revenue from growth in the tax bases in such tax rate areas may be affected by the existence of redevelopment agencies (including their successor agencies) which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts $7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is supplemented by the State.

For assessment and tax 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 and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to any delinquent payment. Property on the secured roll, with respect to which taxes are delinquent, becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of 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 property is subject to sale by the respective County Treasurer.

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

Assessed Valuations

The assessed valuation of property in the District is established by the Counties Assessors, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution.

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. Both the general *ad valorem* property tax levy and the additional *ad valorem* levy for the Bonds are based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the respective Counties at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and county taxing purposes. The valuation of secured property by the Counties Assessors is established as of January 1 and is subsequently equalized in September of each year.

The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds. The table below shows the assessed valuation of taxable property in the District for the most recent fiscal years.

HISTORIC ASSESSED VALUATIONS
Fullerton Joint Union High School District
Fiscal Years 2009-10 to 2018-19

Orange County Portion

Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation
2009-10	$22,374,339,563	$11,005,779	$ 1,254,554,340	$23,639,899,682
2010-11	22,389,162,483	4,771,032	1,269,999,663	23,663,933,178
2011-12	22,565,625,512	2,963,074	1,194,884,891	23,763,473,477
2012-13	22,958,149,189	836,490	1,142,083,124	24,101,068,803
2013-14	23,770,315,201	836,490	997,896,497	24,769,048,188
2014-15	25,146,852,481	836,490	1,193,172,618	26,340,861,589
2015-16	26,623,875,933	836,490	1,190,903,583	27,815,616,006
2016-17	27,872,949,320	836,490	1,196,019,403	29,069,805,213
2017-18	29,486,251,651	836,490	1,158,268,668	30,645,356,809
2018-19	31,332,719,988	2,708,496	1,293,348,964	32,628,777,448

Los Angeles County Portion

Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation
2009-10	$2,162,140,946	$ —	$18,596,326	$2,180,737,272
2010-11	2,098,407,766	423,363	12,147,943	2,110,979,072
2011-12	2,146,601,960	423,363	11,937,357	2,158,962,680
2012-13	2,205,724,258	423,363	11,585,218	2,217,732,839
2013-14	2,294,201,650	423,363	12,511,206	2,307,136,219
2014-15	2,406,335,958	508	12,123,874	2,418,460,340
2015-16	2,522,233,569	508	11,479,138	2,533,713,215
2016-17	2,630,721,105	16,596	12,348,602	2,643,086,303
2017-18	2,761,189,932	16,596	12,081,525	2,773,288,053
2018-19	2,941,689,690	16,596	11,850,902	2,953,557,188

Total District

Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation
2009-10	$24,536,480,509	$11,005,779	$1,273,150,666	$25,820,636,954
2010-11	24,487,570,249	5,194,395	1,282,147,606	25,774,912,250
2011-12	24,712,227,472	3,386,437	1,206,822,248	25,922,436,157
2012-13	25,163,873,447	1,259,853	1,153,668,342	26,318,801,642
2013-14	26,064,516,851	1,259,853	1,010,407,703	27,076,184,407
2014-15	27,553,188,439	836,998	1,205,296,492	28,759,321,929
2015-16	29,146,109,502	836,998	1,202,382,721	30,349,329,221
2016-17	30,503,670,425	853,086	1,208,368,005	31,712,891,516
2017-18	32,247,441,583	853,086	1,170,350,193	33,418,644,862
2018-19	34,274,409,678	2,725,092	1,305,199,866	35,582,334,636

Source: California Municipal Statistics, Inc.

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

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

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

In addition, Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis.

Risk of Decline in Property Values; Fire; Earthquake Risk. Property values could be reduced by factors beyond the District's control, including fire, earthquake and a depressed real estate market due to general economic conditions in the Counties, the region and the State.

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, drought, toxic dumping, acts of terrorism, etc., or reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). Lower assessed values could necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional bonds in the future might also cause the tax rate to increase.

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

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

The following table shows the 2018-19 assessed valuation of each jurisdiction within the boundaries of the District:

ASSESSED VALUATION BY JURISDICTION(1)
Fiscal Year 2018-19

Jurisdiction	Assessed Value in District	% of District	Assessed Value of Jurisdiction	% of Jurisdiction In District
Orange County Portion				
City of Anaheim	$ 89,751,366	0.25%	$45,731,391,443	0.20%
City of Brea	684,784,052	1.92	10,286,668,026	6.66
City of Buena Park	6,162,502,132	17.32	10,534,142,623	58.50
City of Fullerton	18,205,142,043	51.16	20,015,755,351	90.95
City of La Habra	6,622,342,889	18.61	6,622,342,889	100.00
City of La Palma	670,611,012	1.88	2,137,828,771	31.37
Unincorporated Orange County	193,643,954	0.54	30,385,043,725	0.64
Los Angeles County Portion				
City of La Habra Heights	$ 1,335,546,848	3.75%	$ 1,462,259,761	91.33%
City of La Mirada	5,270,525	0.01	6,690,574,916	0.08
City of Whittier	754,297,806	2.12	9,901,960,799	7.62
Unincorporated Los Angeles County	858,442,009	2.41	107,666,068,683	0.80
Total District	$35,582,334,636	100.00%		
Summary by County:				
Los Angeles County	$ 2,953,557,188	8.30%	$1,518,401,584,349	0.19%
Orange County	32,628,777,448	91.70	591,987,855,656	5.51
Total District	$35,582,334,636	100.00		

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

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

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2018-19

	2018-19 Assessed Valuation(1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$ 1,527,885	0.00%	38	0.05%
Commercial/Office	4,294,684,073	12.53	3,277	4.67
Vacant Commercial	143,055,957	0.42	541	0.77
Industrial	4,005,753,098	11.69	1,140	1.62
Vacant Industrial	56,367,851	0.16	116	0.17
Recreational	41,142,618	0.12	60	0.09
Government/Social/Institutional	109,643,009	0.32	255	0.36
Miscellaneous	21,684,583	0.06	411	0.59
Subtotal Non-Residential	$8,673,859,074	25.31%	5,838	8.32%
Residential:				
Single Family Residence	$22,073,282,793	64.40%	54,213	77.24%
Condominium/Townhouse	1,196,188,533	3.49	6,350	9.05
Mobile Home	22,664,481	0.07	701	1.00
Mobile Home Park	69,537,630	0.20	24	0.03
2+ Residential Units	1,922,549,018	5.61	2,184	3.11
Miscellaneous Residential	14,677,433	0.04	60	0.09
Vacant Residential	301,650,716	0.88	820	1.17
Subtotal Residential	$25,600,550,604	74.69%	64,352	91.68%
Total	$34,274,409,678	100.00%	70,190	100.00%

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

The following table shows the assessed valuations of single-family homes for the District.

ASSESSED VALUATION OF SINGLE-FAMILY HOMES
Fiscal Year 2018-19

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	54,213	$ 22,073,282,793	$ 407,158	$ 360,470

2018-19 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	732	1.350%	1.350%	$ 26,676,151	0.121%	0.121%
$50,000 - $99,999	5,319	9.811	11.162	394,081,775	1.785	1.906
$100,000 - $149,999	3,218	5.936	17.097	398,559,478	1.806	3.712
$150,000 - $199,999	3,376	6.227	23.325	595,236,036	2.697	6.408
$200,000 - $249,999	4,665	8.605	31.930	1,054,550,474	4.777	11.186
$250,000 - $299,999	4,637	8.553	40.483	1,274,778,165	5.775	16.961
$300,000 - $349,999	4,251	7.841	48.324	1,378,249,319	6.244	23.205
$350,000 - $399,999	4,105	7.572	55.896	1,537,900,588	6.967	30.172
$400,000 - $449,999	3,787	6.985	62.882	1,609,348,736	7.291	37.463
$450,000 - $499,999	3,685	6.797	69.679	1,749,976,428	7.928	45.391
$500,000 - $549,999	3,237	5.971	75.650	1,698,114,995	7.693	53.084
$550,000 - $599,999	2,715	5.008	80.658	1,557,830,526	7.058	60.142
$600,000 - $649,999	2,028	3.741	84.399	1,263,871,370	5.726	65.868
$650,000 - $699,999	1,647	3.038	87.437	1,109,417,815	5.026	70.894
$700,000 - $749,999	1,307	2.411	89.847	946,452,263	4.288	75.182
$750,000 - $799,999	1,269	2.341	92.188	982,603,884	4.452	79.633
$800,000 - $849,999	950	1.752	93.941	781,562,931	3.541	83.174
$850,000 - $899,999	725	1.337	95.278	632,829,899	2.867	86.041
$900,000 - $949,999	492	0.908	96.185	454,128,993	2.057	88.098
$950,000 - $999,999	367	0.677	96.862	357,685,837	1.620	89.719
$1,000,000 and greater	1,701	3.138	100.000	2,269,427,130	10.281	100.000
Total	54,213	100.000%		$22,073,282,793	100.000%	

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

Tax Rates

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

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

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in the principal Tax Rate Area ("TRA") within the District for the past five fiscal years. TRA 3-003 comprises approximately 18.41% of the total assessed value of property in the District.

TYPICAL *AD VALOREM* TAX RATES
Fiscal Years 2014-15 to 2018-19
Total Tax Rates (TRA 3-003 – 2018-19 Assessed Valuation: $6,549,242)

	2014-15	2015-16	2016-17	2017-18	2018-19
General Tax Rate	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Fullerton School District	0 .02383	0.02215	0 .02272	0.02243	0.02124
Fullerton High School District	0.01338	0.01232	0.02819	0.02994	0.02901
North Orange Community College	0.01704	0.03043	0.02885	0.02927	0.02829
Metropolitan Water District	0.00350	0.00350	0.00350	0.00350	0.00350
Total	1.05775%	1.06840%	1.08326%	1.08514%	1.08204%

Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

Beginning in 1978-79, Article XIIIA and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior-voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The following table reflects the historical secured tax levy and year-end delinquencies for general obligation bonds of the District for the most recent fiscal years for the Orange County portion of the District. Data for the Los Angeles County portion of the District is not available.

SECURED TAX CHARGE AND DELINQUENCY
Fiscal Years 2011-12 to 2017-18
(Orange County Portion Only)

Fiscal Year	Secured Tax Charge (1)	Amount Delinquent June 30	% Delinquent June 30
2011-12	$39,714,927.69	$592,108.90	1.49%
2012-13	39,810,684.47	382,319.81	0.96
2013-14	40,774,244.40	302,569.23	0.74
2014-15	44,880,492.21	492,664.82	1.10
2015-16	45,551,737.76	311,841.60	0.68
2016-17	47,293,100.02	330,348.30	0.70
2017-18	49,372,735.49	266,847.61	0.54

Source: California Municipal Statistics, Inc.
(1) 1% General Fund apportionment. Los Angeles County information is not available, except for debt service levy, which does not apply to this district at this time.

Teeter Plan

Orange County. The Board of Supervisors of Orange County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in section 4701 et seq. of the California Revenue and Taxation Code. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within Orange County, with Orange County retaining all penalties and interest penalties affixed upon delinquent properties and redemptions of subsequent collections. Under the Teeter Plan, Orange County apportions secured property taxes on a cash basis to local political subdivisions, including the District, for which Orange County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, Orange County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities.

The Teeter Plan is applicable to secured property tax levies, including for the payment of the Bonds. The Teeter Plan is not applicable to unsecured property tax levies. As adopted by Orange County, the Teeter Plan excludes Mello-Roos Community Facilities Districts, special assessment districts, and benefit assessment districts.

Orange County's cash position is protected by a special fund, known as the "Tax Loss Reserve Fund," which accumulates moneys from interest and penalty collections. In each fiscal year, the Tax Loss Reserve Fund is required to be funded to the amount of delinquent taxes plus one percent of that year's tax levy. Amounts exceeding the amount required to be maintained in the tax loss reserve fund may be credited to Orange County's general fund. Amounts required to be maintained in the tax loss reserve fund may be drawn on to the extent of the amount of uncollected taxes credited to each agency in advance of receipt.

The Teeter Plan is to remain in effect unless the Orange County Board of Supervisors orders its discontinuance or unless, prior to the commencement of the fiscal year of Orange County (which commences on July 1), the Orange County Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in Orange County, in which event the Orange County Board of Supervisors is ordered to discontinue the Teeter Plan effective at the commencement of the subsequent fiscal year. The Orange County Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in Orange County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which Orange County act as the tax-levying or tax-collecting agency, but penalties and interest would be credited to the political subdivisions.

The District is not aware of any petitions for the discontinuance of the Teeter Plan in Orange County.

Los Angeles County. The Los Angeles County Board of Supervisors has elected to discontinue the Teeter Plan on July 1, 2009. As the Teeter Plan has been discontinued, the District's property tax revenues for the portion of the District in Los Angeles County now reflect both reduced property tax revenue from uncollected taxes and increased revenue from the subsequent receipt of delinquent taxes, interest and penalty payments.

Largest Property Owners

Concentration of Property Ownership. Based on fiscal year 2018-19 locally assessed taxable valuations, the top twenty taxable property owners in the District represent approximately 5.46% of the total fiscal year 2018-19 taxable value.

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2018-19.

LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2018-19

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total[1]
1.	Comref So Ca Industrial Sub A & P LLC	Industrial	$ 153,443,021	0.45%
2.	The Source at Beach LLC	Commercial	148,769,073	0.43
3.	Centerpoint Properties Trust	Commercial	133,926,000	0.39
4.	FHF I Amerige Pointe LLC	Apartments	117,300,000	0.34
5.	Alticor Inc.	Industrial	109,671,315	0.32
6.	CVS Pharmacy Inc.	Industrial	104,372,814	0.30
7.	Advanced Group 16-114	Apartments	100,980,000	0.29
8.	La Habra Associates LLC	Commercial	98,677,963	0.29
9.	University House Fullerton LLC	Apartments	91,275,947	0.27
10.	Rreef America REIT II Corp.	Industrial	88,730,487	0.26
11.	Fairfield 951 Beach LLC	Apartments	81,470,460	0.24
12.	Fullerton Luxury Rentals LLC	Apartments	79,184,220	0.23
13.	Corecare III	Apartments	78,945,697	0.23
14.	PRI Buena Park Industrial CA LLC	Industrial	77,120,160	0.23
15.	Aspect Acquisition LLC	Apartments	74,899,005	0.22
16.	The Realty Associates Fund XI LP	Industrial	71,730,443	0.21
17.	La Habra Westridge Partners LP	Commercial	68,125,143	0.20
18.	PSIP WR Fullerton LLC	Commercial	66,276,461	0.19
19.	SFERS Real Est. Corp. RR	Industrial	65,629,700	0.19
20.	BRE-FMCA LLC	Apartments	59,732,714	0.17
	Total Top 20		$1,870,260,623	5.46%

Source: California Municipal Statistics, Inc.
(1) 2018-19 Local secured assessed valuation: $34,274,409,678.

Direct and Overlapping Debt

Direct and Overlapping Debt. Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of January 1, 2019, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

2018-19 Assessed Valuation: $35,582,334,636

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 1/1/19
Metropolitan Water District	1.219%	$ 738,714
North Orange County Joint Community College District	27.041	46,093,818
Fullerton Joint Union High School District	**100.000**	**162,465,000**(1)
Buena Park School District	100.000	45,471,003
Fullerton School District	100.000	24,125,458
La Habra City School District	100.000	24,751,493
Fullerton School District Community Facilities Districts	100.000	12,985,000
Fullerton Joint Union High School District Community Facilities District No. 2005-1	100.000	1,330,000
City of Fullerton Community Facilities District No. 1	100.000	15,615,000
City of Fullerton Community Facilities District No. 2	100.000	7,300,000
City of La Habra Community Facilities District No. 1990-1	100.000	260,000
Los Angeles County Regional Park and Open Space Assessment District	0.195	26,559
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		341,162,045
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Orange County General Fund Obligations	5.512%	$11,572,168
Orange County Pension Obligation Bonds	5.512	20,989,268
Orange County Board of Education Certificates of Participation	5.512	771,129
Los Angeles County General Fund Obligations	0.195	4,219,185
Los Angeles County Superintendent of Schools Certificates of Participation	0.195	11,364
Los Angeles County Sanitation District No. 18 Authority	4.044	195,417
North Orange County Regional Occupation Program Certificates of Participation	25.545	2,373,131
Fullerton Joint Union High School District Certificates of Participation	**100.000**	**18,650,000**
Fullerton School District Certificates of Participation	100.000	4,630,000
City of Anaheim General Fund Obligations	0.196	1,153,842
City of Brea Civic/Cultural Center Authority	6.657	417,756
City of Buena Park General Fund Obligations	58.500	5,724,225
City of Fullerton General Fund and Judgment Obligations	90.954	7,171,723
City of La Habra General Fund Obligations	100.000	19,590,000
City of La Mirada General Fund Obligations	0.079	6,300
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		97,475,508
Less: City supported obligations		1,153,842
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		96,321,666
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		122,436,258
GROSS COMBINED TOTAL DEBT		561,073,811(2)
NET COMBINED TOTAL DEBT		559,919,969

Ratios to 2018-19 Assessed Valuation:

Direct Debt ($162,465,000) 0.46%
Total Direct and Overlapping Tax and Assessment Debt 0.96%
Combined Direct Debt ($181,115,000)....................................... 0.51%
Gross Combined Total Debt 1.58%
Net Combined Total Debt...1.57%

Ratios to Redevelopment Successor Agency Incremental Valuation ($6,695,998,045):

Total Overlapping Tax Increment Debt...1.83%

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

Bonding Capacity

The District may issue bonds in an amount up to 1.25% of the assessed valuation of taxable property within its boundaries. Based on the fiscal year 2018-19 assessment roll, the District's gross bonding capacity is approximately $444,779,183, and its net bonding capacity is $261,314,183 (taking into account current outstanding debt including the Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL

The Orange County Board of Supervisors (the "Orange County Board") approved the current County Investment Policy Statement (the "Investment Policy") on November 14, 2017 (see Appendix D—ORANGE COUNTY INVESTMENT POLICY STATEMENT" or ocgov.com/ocinvestments). (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement.) The Investment Policy applies to all funds managed by the Orange County Treasurer as delegated by the Orange County Board including the Orange County Investment Pool, the Orange County Educational Investment Pool, the John Wayne Airport Investment Fund and various other small non-Pooled investment funds. The primary goal is to invest public funds in a manner which will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to Pool Participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds. The main investing objectives, in order of priority are: Safety, Liquidity and Yield.

Oversight of the investments is conducted in several ways. First, the Orange County Board established the County Treasury Oversight Committee (the "Committee") on December 19, 1995, pursuant to California Government Code Section 27130 et. seq. The Committee's primary responsibilities are as follows: to review and monitor the annual investment policy; cause an annual audit to be conducted to determine if the Orange County Treasurer is in compliance with California Government Code Sections 27130 to 27137, and to investigate any and all irregularities in the treasury operation that are reported. The Orange County Treasurer nominates the public members and the Orange County Board confirms the members of the Committee, which is comprised of the Orange County Executive Officer, the Orange County Auditor-Controller, the Orange County Superintendent of Schools, and four public members. Next, the Orange County Auditor-Controller's Internal Audit Division audits the portfolio on a quarterly and annual basis pursuant to California Government Code Sections 26920 and 26922. Finally, an annual compliance audit is also conducted as required by California Government Code Sections 27134. All investment audit reports and the monthly Treasurer's Investment Report are available on-line at ocgov.com/ocinvestments. (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement.)

The District's funds held by the County Treasurer are invested in the Orange County Educational Investment Pool (the "Pool") which pools all of the Orange County school district funds. As of October 31, 2018, the balance in District's funds was $113,813,944.74 or 2.66% of the Pool. The pool is invested 95% in securities rated in the two highest rating categories. As of October 31, 2018, the Pool has a weighted average maturity of 371 days and the year-to-date net yield is 1.71%.

The following represents the composition of the Pool as of October 31, 2018:

Type of Investment	Market Value (In Thousands)	% of Pool
U.S. Government Agencies	$2,721,051	63.90%
U.S. Treasuries	955,768	22.45
Medium-Term Notes	394,674	9.27
Municipal Debt	123,822	2.91
Local Agency Investment Fund	33,157	0.78
Certificates of Deposit	20,809	0.49
Money Market Mutual Funds	8,826	0.20
Total	$4,258,107	100.00%

Neither the District nor the Underwriter has made an independent investigation of the investments in the Pools and has made no assessment of the current County Investment Policy. The value of the various investments in the Pools will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Orange County Treasurer, after a review by the Committee and approval by the Board may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pools will not vary significantly from the values described therein.

LEGAL MATTERS

Possible Limitations on Remedies; Bankruptcy

General. Following is a discussion of certain considerations relating to potential bankruptcies of school districts in California. It is not an exhaustive discussion of the potential application of bankruptcy law to the District. State law contains a number of safeguards to protect the financial solvency of school districts. See "APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION." If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent of Public Instruction (the "State Superintendent"), operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of a district for the adjustment of its debts, assuming that such district meets certain other requirements contained in the Bankruptcy Code necessary for filing such a petition. School districts under current State law are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the parties to the proceedings may be prohibited from taking any action to collect any amount from the District (including ad valorem tax revenues) or to enforce any obligation of the District, without the bankruptcy court's permission. In such a proceeding, as part of its plan of adjustment in bankruptcy, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, if the bankruptcy court were to determine that the alterations were fair and equitable. In addition, in such a proceeding, as part of such a plan, the District may be able to eliminate the obligation of the Counties to raise taxes if necessary, to pay the Bonds. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

As stated above, if a school district were to go into bankruptcy, the bankruptcy petition would be filed under Chapter 9 of the Bankruptcy Code. Chapter 9 provides that it does not limit or impair the power of a state to control, by legislation or otherwise, a municipality of or in such state in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. For purposes of the language of Chapter 9, a school district is a municipality. State law provides that the ad valorem taxes levied to pay the principal and interest on the Bonds shall be used for the payment of principal and interest of the District's general obligation bonds and for no other purpose. If this restriction on the expenditure of such ad valorem taxes is respected in a bankruptcy case, then the ad valorem tax revenue could not be used by the District for any purpose other than to make payments on the Bonds. It is possible, however, that a bankruptcy court could conclude that the restriction should not be respected.

Statutory Lien. Pursuant to Senate Bill 222 (2015) ("SB 222") that became effective on January 1, 2016, all general obligation bonds issued by local agencies in California, including the Bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. SB 222 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board and will be valid and binding from the time the bonds are executed and delivered. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged ad valorem taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues. If the ad valorem tax revenues that are pledged to the payment of the Bonds (see "THE BONDS – Security") are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged ad valorem revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The District has specifically pledged the ad valorem taxes for payment of the Bonds. Additionally, the ad valorem taxes levied for payment of the Bonds are permitted under the State Constitution only where either (i) the applicable bond proposition is approved by 55% of the voters and such proposition contains a specific list of school facilities projects, or (ii) if the applicable bond proposition is approved by two-thirds of voters and such bonds must be issued for the acquisition or improvement of real property. Because State law prohibits the use of the tax proceeds for any purpose other than payment of the bonds and the bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition, such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of ad valorem tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

In addition, even if the ad valorem tax revenues are determined to be "special revenues," the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the District is entitled to use the ad valorem tax revenues to pay necessary operating expenses of the District and its schools, before the remaining revenues are paid to the owners of the Bonds.

Possession of Tax Revenues; Remedies. If one or both of the Counties or the District goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if one or both of the Counties or the District, as applicable, does not voluntarily pay such tax revenues to the owners of the Bonds, it is not clear what procedures the owners of the Bonds would take or how effective they would be in obtaining possession of such tax revenues.

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights. The proposed form of opinion of Bond Counsel, attached hereto as Appendix E, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights.

Legal Opinion

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

TAX MATTERS

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

Subject to the District's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals.

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

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax-exempt interest, including interest on the Bonds.

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

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

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

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

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

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

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

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

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

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

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

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc., Irvine, California ("Fieldman Rolapp"), is an independent financial advisory firm registered as a "Municipal Advisor" with the Securities Exchange Commission and Municipal Securities Rulemaking Board. Fieldman Rolapp does not underwrite, trade or distribute municipal or other public securities. Fieldman Rolapp has assisted the District in connection with the planning, structuring, sale and issuance of the Bonds. Fieldman Rolapp is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibilities for the accuracy, completeness or fairness of the information contained in this Official Statement not provided by Fieldman Rolapp. The fees of Fieldman Rolapp in respect to the Bonds are contingent upon their sale and delivery.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than March 31 after the end of the District's fiscal year (the current end of the District's fiscal year is on June 30), commencing with the report for the 2017-18 fiscal year, and to provide notices of the occurrence of certain events listed in the District's Continuing Disclosure Certificate, the form of which is in APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE. The Annual Report and notices of listed events will be filed by the District with the Municipal Securities Rulemaking Board (the "MSRB"), by posting on the MSRB's Electronic Municipal Market Access or "EMMA" system (website: www.emma.msrb.org). These continuing disclosure covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

The District has not, within the past five years, failed to file any portion of its required annual reports in a timely manner as required by its prior continuing disclosure obligations.

LEGALITY FOR INVESTMENT IN CALIFORNIA

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

ABSENCE OF MATERIAL LITIGATION

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

RATING

Moody's Investors Service ("Moody's") and S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), have assigned the ratings of "Aa2" and "AA," respectively, to the Bonds. These ratings reflect only the views of Moody's and S&P and explanations of the significance of each such rating may be obtained from Moody's or S&P. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by Moody's and S&P, if in the judgment of Moody's or S&P, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The District has covenanted in the Continuing Disclosure Certificate to file on the EMMA website notices of any rating changes on the Bonds. See APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from S&P prior to such information being provided to the District and prior to the date the District is obligated to file a notice of a rating change on EMMA. Purchasers of the Bonds are directed to S&P, its website and official media outlet for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds.

UNDERWRITING

The Bonds were sold by competitive bidding on February 14, 2019, to Citigroup Global Markets, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of $23,225,731.25 (being equal to the aggregate principal amount of the Bonds ($21,000,000.00), plus a net original issue premium of $2,335,981.25, less an Underwriter's discount of $110,250.00). 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 said agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

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

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

EXECUTION

Execution and delivery of this Official Statement have been duly authorized by the District.

FULLERTON JOINT UNION HIGH
SCHOOL DISTRICT

By /s/ V. Scott Scambray
V. Scott Scambray, Ed.D.,
Superintendent

APPENDIX A

GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITIES OF FULLERTON, BUENA PARK, LA HABRA AND ORANGE COUNTY

While the economics of the Cities of Fullerton, Buena Park, La Habra, and Orange County and surrounding region influence the economics within the District, only property within the District is subject to an unlimited ad valorem tax levy to pay debt service on the Bonds.

Introduction

The City of Fullerton. The City of Fullerton is located approximately 30 miles southeast of the City of Los Angeles and is the seventh largest city in Orange County. Founded in 1887 and incorporated in 1904, Fullerton operates as a general law city, governed by a five-member City Council elected to serve staggered four-year terms. Fullerton encompasses 22.2 square miles. Fullerton is ideally located for transportation, bounded by 3 major highways and located 15 miles northwest of John Wayne Airport. On an average workday, Fullerton's Transportation Center serves an average of 3,000 commuters on the Metrolink and Amtrak trains.

St. Jude Hospital, Raytheon Systems Company, and Alcoa Fastening Systems are all located in Fullerton. In addition to a diverse manufacturing and industrial base and a stable retail sales base, Fullerton is a major center of higher education in Orange County. California State University, Fullerton and Fullerton Community College are located within Fullerton, as well as three private colleges/universities for a total enrollment of over 55,000 students.

The City of La Habra. The City of La Habra is located in the northwest corner of Orange County, approximately 20 miles east of downtown Los Angeles. La Habra is known as a unique suburban residential community where residents have access to, and participate in, the greater Orange County and Los Angeles County economies. La Habra is largely built out (90 percent developed by the mid-1970's), with the majority of residential housing constructed in the 1950's. A quiet residential community, it is conveniently located within an hour's drive of many beaches, mountain, and desert recreation areas.

La Habra also offers a distinctive and well-rounded program of civic, recreational, social and cultural services to its residents, including 20 parks, a Children's Museum, Community Theater, Tennis Center, and diverse Community Center. Community services include senior citizen programs, recreation classes, youth and adult sports programs, facility rentals, and an active volunteer program.

The City of Buena Park. The City of Buena Park was incorporated on January 27, 1953, as a General Law City. In November 2008, voters adopted a City Charter. The City of Buena Park is located at the northwest edge of Orange County. It occupies a land area of 10.27 square miles and provides a full range of services, including police protection, street and other infrastructure construction and maintenance, and recreational activities.

Buena Park is home to the world-famous Knott's Berry Farm, one of the nation's most popular and largest theme amusement parks. Also located in Buena Park are the Medieval Times Dinner and Tournament, Pirate's Dinner Adventure, and Knott's Soak City. These attractions drive the tourism industry in the City.

In addition to the entertainment-type businesses, Buena Park also offers a complete selection of hotels, restaurants, commercial centers, office complexes, business parks, and the Buena Park Mall. Major nationally recognized employers in the City of Buena Park include Nutrilite, Yamaha, and Georgia Pacific. The City's Auto Center includes dealers of BMW, Buick/GMC, Chevrolet, Ford, Honda, Mercedes-Benz, Nissan, and Toyota vehicles, as well as a CarMax Auto Superstore.

Orange County. Orange County was incorporated in 1889 and is located in the southern part of the State of California. Orange County is one of the major metropolitan areas in the state and nation. Orange County occupies a land area of 798 square miles with a coastline of 42 miles serving a population of over 3 million. It represents the third most populous county in the State and ranks sixth in the nation.

Orange County is a charter county as a result of the March 5, 2002, voter approval of Measure V, which provides for an electoral process to fill mid-term vacancies on the Board of Supervisors. Before Measure V, as a general law county, mid-term vacancies would otherwise be filled by gubernatorial appointment. In November 2008, voters approved Measure J, which added Article III, Section 301 to the Charter of Orange County requiring voter approval for increases in future retirement system benefits of any employee, legislative officer, or elected official of Orange County in the Orange County Employees Retirement System (OCERS) or any successor retirement system, with the exception of statutorily-established cost of living adjustments, salary increases, and annual leave or compensatory time cash-outs. In all other respects, Orange County is like a general law county. Orange County is governed by a five-member Board of Supervisors each of which serves four-year terms, and annually elect a Chairman and Vice-Chairman. The supervisors represent districts that are each approximately equal in population. Orange County provides a full range of services countywide, for the unincorporated areas, and contracted through cities.

Population

The table below summarizes population of the Cities of Fullerton, La Habra, Buena Park, Orange County and the State of California for the last five years.

CITIES of FULLERTON, LA HABRA, BUENA PARK, ORANGE COUNTY and CALIFORNIA
Population

Year	City of Fullerton	City of La Habra	City of Buena Park	Orange County	State of California
2014	140,808	61,968	82,646	3,126,918	38,568,628
2015	141,438	62,184	82,869	3,152,314	38,912,464
2016	142,406	62,270	82,950	3,172,222	39,179,627
2017	143,499	62,451	83,926	3,198,968	39,500,973
2018	144,214	62,850	83,955	3,221,103	39,809,693

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2010-2018, with 2010 Census Benchmark.

Employment

The following table summarizes historical employment and unemployment for Orange County, the State of California and the United States:

ORANGE AND LOS ANGELES COUNTIES, CALIFORNIA, and UNITED STATES
Civilian Labor Force, Employment, and Unemployment
(Annual Averages)

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate (1)
2013	Orange County	1,569,200	1,465,900	103,300	6.6
	California	18,671,600	17,002,900	1,668,700	8.9
	United States	155,389,000	143,929,000	11,460,000	7.4
2014	Orange County	1,578,200	1,491,800	86,400	5.5
	California	18,811,400	17,397,100	1,414,300	7.5
	United States	155,922,000	146,305,000	9,617,000	6.2
2015	Orange County	1,597,100	1,525,600	71,500	4.5
	California	18,981,800	17,798,600	1,183,200	6.2
	United States	157,130,000	148,834,000	8,296,000	5.3
2016(2)	Orange County	1,602,400	1,538,000	64,300	4.0
	California	19,102,700	18,065,000	1,037,700	5.4
	United States	159,187,000	151,436,000	7,751,000	4.9
2017(2)	Orange County	1,619,200	1,562,600	56,600	3.5
	California	19,312,000	18,393,100	918,900	4.8
	United States	160,320,000	153,337,000	6,982,000	4.4

Source: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Average 2010-2017, and US Department of Labor.

(1) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures available in this table.

(2) Latest available full-year data.

Major Employers

The following table lists the top 10 employers within Orange County according to Orange County's FY2016-17 CAFR.

ORANGE COUNTY
2017 Major Employers(1)

Employer	Employees	% of Total County Employment
Walt Disney Co.	29,000	1.80%
University of California, Irvine	23,605	1.46
County of Orange	18,264	1.13
St. Joseph Health System	11,925	.74
Allied Universal	8,229	.51
Kaiser Permanente	7,694	.48
Boeing Co.	6,103	.38
Wal-Mart	6,000	.37
California State University, Fullerton	5,781	.36
Bank of America	5,500	.34
Total Top 10	122,101	7.57%

Source: Orange County 2016-17 CAFR.
(1) Most recent available data.

Construction Activity

The following table reflects the five-year history of building permit valuation for the Cities of Fullerton, La Habra, Buena Park, and Orange County:

CITY of FULLERTON
Building Permits and Valuation
(Dollars in Thousands)

	2013	2014	2015	2016	2017(1)
Permit Valuation:					
New Single-family	$ 28,571	$ 24,239	$ 12,541	$ 7,648	$ 7,369
New Multi-family	1,656	40,735	41,423	11,662	22,372
Res. Alterations/Additions	4,634	3,345	3,881	3,862	3,759
Total Residential	34,861	68,320	57,846	23,173	33,500
Total Nonresidential	57,664	46,072	35,905	32,312	46,189
Total All Building	92,526	114,392	93,751	55,485	79,690
New Dwelling Units:					
Single Family	122	102	40	26	20
Multiple Family	13	343	331	72	190
Total	135	445	371	98	210

CITY of LA HABRA
Building Permits and Valuation
(Dollars in Thousands)

	2013	2014	2015	2016	2017[1]
Permit Valuation:					
New Single-family	$ 21,591	$ 3,419	$ 6,016	$ 3,882	$ 23,316
New Multi-family	-	1,821	-	34,618	-
Res. Alterations/Additions	4,538	5,461	7,906	7,868	7,361
Total Residential	26,129	10,702	13,923	46,370	30,678
Total Nonresidential	32,532	7,453	17,889	36,518	14,953
Total All Building	58,662	18,156	31,813	82,888	45,631
New Dwelling Units:					
Single Family	96	19	20	12	111
Multiple Family	-	13	-	335	-
Total	96	32	20	347	111

CITY of BUENA PARK
Building Permits and Valuation
(Dollars in Thousands)

	2013	2014	2015	2016	2017[1]
Permit Valuation:					
New Single-family	$ 575	$ 278	$ 14,190	$ 22,597	$ 32,703
New Multi-family	2,662	8,952	23,800	5,335	-
Res. Alterations/Additions	4,884	10,943	14,751	7,042	1,577
Total Residential	8,122	20,174	52,742	34,976	34,280
Total Nonresidential	115,368	22,970	29,898	36,980	100,502
Total All Building	123,390	43,145	82,641	71,956	134,782
New Dwelling Units:					
Single Family	2	1	65	89	136
Multiple Family	22	70	112	21	-
Total	24	71	177	110	136

ORANGE COUNTY
Building Permits and Valuation
(Dollars in Thousands)

	2013	2014	2015	2016	2017[1]
Permit Valuation:					
New Single-family	$ 1,237,994	$ 1,234,498	$ 1,288,428	$ 1,464,920	$ 1,809,779
New Multi-family	994,873	985,454	1,052,113	1,195,586	880,561
Res. Alterations/Additions	363,674	413,518	486,341	491,132	498,259
Total Residential	2,696,542	2,633,471	2,826,883	3,151,639	3,188,600
Total Nonresidential	4,208,209	2,000,167	2,203,105	2,495,687	2,090,028
Total All Building	6,804,752	4,633,639	5,029,988	5,647,326	5,278,629
New Dwelling Units:					
Single Family	3,889	3,646	3,667	4,226	5,097
Multiple Family	6,564	6,990	7,230	7,908	5,197
Total	10,453	10,636	10,897	12,134	10,294

Source: Construction Industry Research Board: "Building Permit Summary," California Cities and Counties Data for Calendar Years 2013-2017.
Note: Totals may not add due to independent rounding.
(1) Last available full year data.

Median Household Income

The following table summarizes the median household effective buying income for the Cities of Fullerton, La Habra, Buena Park, Orange County, the State of California and the nation for the five most recent years.

CITIES of FULLERTON, LA HABRA, BUENA PARK, ORANGE COUNTY, CALIFORNIA and UNITED STATES
Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2014	City of Fullerton	$ 3,384,433	$ 56,306
	City of La Habra	1,292,018	52,198
	City of Buena Park	1,521,070	49,772
	Orange County	83,607,615	60,931
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	City of Fullerton	3,595,428	58,891
	City of La Habra	1,399,443	56,357
	City of Buena Park	1,682,685	54,896
	Orange County	90,963,458	64,420
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2016	City of Fullerton	3,721,893	59,891
	City of La Habra	1,434,466	57,391
	City of Buena Park	1,808,816	58,818
	Orange County	95,757,421	66,303
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2017	City of Fullerton	3,954,578	62,253
	City of La Habra	1,511,804	60,260
	City of Buena Park	1,801,626	59,853
	Orange County	100,982,959	69,088
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2018	City of Fullerton	4,347,648	66,171
	City of La Habra	1,642,327	65,507
	City of Buena Park	1,954,980	64,111
	Orange County	108,768,390	73,894
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841

Source: Nielsen Claritas, Inc.

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APPENDIX B

DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

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

Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System

California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the Legislature to school districts. Commencing with the Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education. In Fiscal Year 2013-14, State legislation replaced the majority of revenue limit and categorical funding formulas with a new set of funding formulas. The new formula for school funding is known as the "Local Control Funding Formula" (the "Local Control Funding Formula" or "LCFF"). The State budget provided funding in Fiscal Year 2013-14 to begin implementing the new formulas. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The new system provides a base rate per student multiplied by the school district's average daily attendance ("ADA") for each of several grade levels. The base rates are augmented by several funding supplements such as for (1) students needing additional services, defined as English learners, students from lower income families, and foster youth; and (2) school districts with high concentrations of English learners and lower income families. The new funding system requires school districts to develop local control and accountability plans describing how the school district intends to educate its students and achieve annual education goals to be achieved in state-mandated areas of priority.

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

The Local Control Funding Formula is also based on ADA. ADA can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in ADA will cause a school district to lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs.

Average Daily Attendance

In the past, annual State apportionments of basic and equalization aid to school districts were computed based on a revenue limit per unit of ADA. Prior to Fiscal Year 1998-99, daily attendance numbers included students who were absent from school for an excused absence, such as illness. Effective in Fiscal Year 1998-99, only actual attendance is counted in the calculation of ADA. This change was essentially fiscally neutral for school districts which maintain the same excused absence rate. The rate per student was recalculated to provide the same total funding to school districts in the base year as would have been received under the old system. After Fiscal Year 1998-99, school districts which improved their actual attendance rate received additional funding.

As indicated above, commencing with the Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education using the Local Control Funding Formula. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The following table shows the District's enrollment, ADA and LCFF Revenues for the most recent fiscal years.

AVERAGE DAILY ATTENDANCE,
LCFF AND ENROLLMENT
Fiscal Years 2013-14 to 2018-19

Fiscal Year	Average Daily Attendance(1)	LCFF Revenues(2)	Enrollment(3)
2013-14	13,992	106,406,917	14,581
2014-15	13,929	114,670,261	14,465
2015-16	13,719	125,825,029	14,318
2016-17	13,505	129,481,208	14,060
2017-18	13,443	130,286,266	13,978
2018-19(4)	13,053	137,078,931	13,668

Source: Fullerton Joint Union High School District

(1) Except for fiscal year 2018-19, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year.

(2) Deficit revenue limit funding, when provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for the given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State's practice of deficit revenue limit funding was most recently reinstated beginning in Fiscal Year 2008-09 and discontinued following the implementation of the LCFF.

(3) Except for fiscal year 2018-19, enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS") in each school year.

(4) As projected in the District's 2018-19 1st Interim Report, adopted December 11, 2018.

Effect of Changes in ADA. Changes in local property tax income and student enrollment (or ADA) affect community funded districts and revenue limit districts, now known as "LCFF districts," differently. In a LCFF district, such as the District, increasing enrollment increases the amount allocated under LCFF and thus generally increases a district's entitlement to State aid, while increases in property taxes do nothing to increase district revenues, but only offset the State aid funding requirement. Operating costs typically increase disproportionately slower than enrollment growth until the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State aid, while operating costs typically decrease slowly until the district decides to lay off teachers, close schools, or initiate other cost-saving measures.

In community funded districts, the opposite is generally true: increasing enrollment does increase the amount allocated under LCFF, but since all LCFF income (and more) is already generated by local property taxes, there is typically no increase in State income. New students impose increased operating costs, but typically at a slower pace than enrollment growth, and the effect on the financial condition of a community funded district would depend on whether property tax growth keeps pace with enrollment growth. Declining enrollment typically does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

For LCFF districts, any loss of local property taxes is made up by an increase in State aid. For community funded districts, the loss of tax revenues is not reimbursed by the State.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in and out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the district to make adjustments in fixed operating costs.

The District cannot make any predictions regarding how the current economic environment or changes thereto will affect the State's ability to meet the revenue and spending assumptions in the State's adopted budget, and the effect of these changes on school finance. The District's 2nd Interim Report and projected ADA are used for planning purposes only, and do not represent a prediction as to the actual financial performance, attendance, or the District's actual funding level for fiscal year 2017-18 or beyond. Certain adjustments will have to be made throughout the year based on actual State funding and actual attendance.

District Budget

The District is required by the provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. The budget process has been further amended by subsequent amendments, including Senate Bill 97, which became law on September 26, 2013 (requiring budgets to include sufficient funds to implement local control and accountability plans), Senate Bill 858, which became law on June 20, 2014 (requiring budgets' ending fund balances to exceed the minimum recommended reserve for economic uncertainties), and Assembly Bill 2585, which became State law on September 9, 2014 (eliminating the dual budget cycle option for school districts).

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a local control and accountability plan, and whether the budget's ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district boards must be notified by August 15 of the county superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than September 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than October 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

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

The District's 2nd Interim Report for fiscal year 2017-18 was certified as "Positive." The District has not received a qualified or negative certification in any of the last five years. The District adopted it's 2017-18 2nd Interim Report on March 6, 2018.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to section 41010 of the California Education Code, is to be followed by all California school districts.

The District's expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The District's accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special type of fund. The District's fiscal year begins on July 1 and ends on June 30.

Financial Statements

The District's general fund finances the basic operating activities of the District. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2018, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the District, 1051 West Bastanchury Road, Fullerton, CA 92833, telephone number (714) 870-2800. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. For further information, see also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018.

The following table shows the District's audited revenues, expenditures and changes in fund balances for the past four fiscal years as well as budgeted projections for 2018-19.

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Years 2014-15 to 2018-19

	Fiscal Year				
	2014-15 Audited	2015-16 Audited	2016-17 Audited	2017-18 Audited	2018-19[(1)] Projected
REVENUES					
Revenue Limit/LCFF Sources[(1)]	$ 114,953,618	$ 125,825,029	$ 129,481,208	$ 130,286,266	$ 137,078,931
Federal Sources	5,490,680	6,382,520	8,497,742	6,463,367	7,537,006
Other State Sources	9,879,218	18,830,821	16,429,513	15,078,638	15,742,650
Other Local Sources	12,703,479	13,405,474	11,931,292	14,545,886	12,764,736
Total Revenues	143,026,995	164,443,844	166,339,755	166,374,157	174,928,500
EXPENDITURES					
Certificated Salaries	62,407,062	65,794,815	59,241,410	68,892,290	67,585,611
Classified Salaries	18,070,101	18,364,399	21,377,755	20,360,510	19,948,647
Employee Benefits	31,374,363	33,358,744	37,836,806	38,250,819	42,109,706
Books and Supplies	4,938,781	7,250,406	13,661,852	7,740,572	13,878,166
Contract Services	12,016,908	11,660,326	14,109,932	14,319,142	16,219,872
Capital Outlay	582,354	1,997,504	1,875,934	1,687,746	7,127,748
Other Outgo	9,109,894	7,264,117	6,464,041	5,987,811	5,700,522
Debt Service – Principal	-	-	-	-	-
Debt Service - Interest	663,170	30,590	36,708	36,708	-
Total Expenditures	139,162,633	145,720,901	164,604,438	157,275,598	174,931,586
Excess (Deficiency) of Revenues over Expenditures	3,864,362	18,722,943	1,735,317	9,098,559	(93,865)
OTHER FINANCING SOURCES					
Operating transfers in	-	-	-	-	-
Operating transfers out	(299,753)	(269,450)	(2,808,621)	(3,645,189)	-
Other sources	-	177,993	-	-	-
Total financing sources (uses)	(299,753)	(91,457)	(2,808,621)	(3,645,189)	-
Net change in fund balances	3,564,609	18,631,486	(1,073,304)	5,453,370	(3,086)
Fund Balance, July 1	33,004,834	36,569,443	55,200,929	54,127,625	59,580,995
Fund Balance, June 30	36,569,443	55,200,929	54,127,625	59,580,995	59,577,909
<u>Components of fund balance</u>					
Fund 01 - General Fund	21,661,079	41,674,772	42,233,001	48,444,025	49,304,103
Fund 14 – Deferred Maintenance	1,815,404	1,166,557	245,578	152,987	-
Fund 17 - Special Reserve for other than Capital Outlay Projects	5,168,345	4,387,930	3,612,658	2,848,190	2,068,013
Fund 20 - Special Reserve for Postemployment Benefits	7,824,615	7,971,670	8,036,388	8,135,793	8,205,793
Fund balance, June 30	36,569,443	55,200,929	54,127,625	59,580,995	59,577,909

Source: Fullerton Joint Union High School District 2014-18 audited financial statements and 2018-19 1st Interim Report.
(1) From the District's 2018-19 1st Interim Report, adopted December 11, 2018.

Summary of District Revenues and Expenditures

The District's audited financial statements for the year ending June 30, 2016, are reproduced in Appendix C. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District Board by September 15, and the audit report must be filed with the County Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 3% of its total general fund expenditures, based on total student attendance below 30,000. For fiscal year 2017-18, the District has budgeted an unrestricted general fund reserve of 3%, or approximately $2,606,184. Substantially all funds of the District are required by law to be deposited with and invested by the County Treasurer-Tax Collector on behalf of the District, pursuant to law and the investment policy of the County. See "INVESTMENT OF DISTRICT FUNDS" in the front portion of this Official Statement.

Local Control Funding Formula. The State Constitution requires that from all State revenues there will be funds set aside to be allocated 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 these State allocations. The general operating income of school districts in California is comprised of two major components: (i) a State portion funded from the State's general fund, and (ii) a local portion derived from the School District's share of the 1% local *ad valorem* tax authorized by the State Constitution. School districts may also be eligible for special categorical and grant funding from State and federal government programs.

As part of the State Budget for Fiscal Year 2013-14 (the "2013-14 State Budget"), State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97") was enacted to establish a new system for funding State school districts, charter schools and county offices of education by the implementation of the Local Control Funding Formula or LCFF. This formula replaced the 40-year revenue limit funding system for determining State apportionments and the majority of categorical programs. 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 formulas that focus resources based on a school district's student demographic. Each school district and charter school will receive a base grant per its ADA used to support the basic costs of instruction and operations. The implementation of the LCFF is to occur over a period of several years. Beginning in fiscal year 2013-14 an annual transition adjustment has been calculated for each individual school district, equal to such district's proportionate share of appropriations included in the State Budget. 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.

The LCFF includes the following components:

- An average base grant for each local education agency equivalent to $7,643 per unit of 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 by the target year so as to continue receiving its adjustment to the K-3 base grant.

- 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 following table shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2013-14 through 2018-19.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2013-14 through 2018-19

Fiscal	Average Daily Attendance				Total District	Total District	% of EL/LI
Year	K-3	4-6	7-8	9-12	ADA	Enrollment[2]	Enrollment[3]
2013-14	—	—	—	13,992	13,992	14,581	47.12%
2014-15	—	—	—	13,929	13,929	14,465	48.50
2015-16	—	—	—	13,719	13,719	14,318	48.67
2016-17	—	—	—	13,505	13,505	14,060	47.66
2017-18	—	—	—	13,443	13,443	13,978	48.59
2018-19[4]	—	—	—	13,053	13,053	163,668	48.90

Source: Fullerton Joint Union High School District

(1) Reflects P-2 ADA.

(2) Reflects CBEDS enrollment.

(3) For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students will be based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

(4) As projected in the District's 2018-19 1st Interim Report, adopted December 11, 2018.

Of the more than $25 billion in funding to be invested through the LCFF through full implementation of the LCFF, 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 State Budget, the target average base grant was $7,643, which was an increase of $2,375 from the prior year's average revenue limit. Base grants are 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 and restoration of categorical funding to pre- recession levels. 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 categorical block grant add-ons, will yield a school 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 the individual school district's share of applicable local property taxes allocations. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues in a particular year 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
LOCAL CONTROL TARGET FUNDING FORMULA 2018-19

Grade Levels	2017-18 Base Grants per ADA	2018-19 "Super COLA" (3.70%)	Grade Span Adjustments	2018-19 Grant/Adjusted Base Grant per ADA
K-3	$ 7,193	$ 266	$ 776	$ 8,235
4-6	7,301	270	n/a	7,571
7-8	7,518	278	n/a	7,796
9-12	8,712	322	235	9,269

Source: California Department of Education

Beginning July 1, 2015, school districts are required to develop a three-year Local Control and Accountability Plan (each, a "LCAP"). County Superintendent of Schools and the State Superintendent of Public Instruction will review and provide support to school districts and county offices of education under their jurisdiction. In addition, the 2013-14 State budget created the California Collaborative for Education Excellence (the "Collaborative") to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. The State Superintendent of Public Instruction may direct the Collaborative to provide additional assistance to any district, county office, or charter school. For those entities that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction has authority to make changes to school district or county office's local plan. For charter schools, the charter authorizer will be required to consider revocation of a charter if the Collaborative finds that the inadequate performance is so persistent and acute as to warrant revocation. The State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Federal Sources. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Education for Economic Security, and the free and reduced lunch program.

Other State Sources. In addition to LCFF revenues, the District receives substantial other State revenues. The LCFF replaced most of the State categorical program funding that existed prior to Fiscal Year 2013-14. Categorical funding for certain programs was excluded from the LCFF, and school districts continue to receive restricted State revenues to fund these programs. These other State revenues are primarily restricted revenue funding items such as the Special Education Master Plan, Economic Impact Aid, and Tier 3 Funding.

Other State revenues include the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research.

Other Local Sources. In addition to property taxes, the District receives additional local revenues from items such as leases and rentals, interest earnings, transportation fees, interagency services, and other local sources.

District Expenditures

The largest part of each school district's general fund budget is used to pay salaries and benefits of certificated (credentialed teaching) and classified (non-instructional) employees. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits.

Labor Relations. Currently the District employs 588 full-time equivalent (FTE) certificated employees, 343.9 FTE classified. There are two formal bargaining organizations operating in the District as detailed in the table below.

LABOR ORGANIZATIONS
Fullerton Joint Union High School District

Labor Organization	Members	Contract Expiration
Fullerton Secondary Teachers Organization	595	6/30/2020
California Schools Employees Association	416	6/30/2021

Source: Fullerton Joint Union High School District
(1) Contract negotiations are on-going. Employees continue to work under the expired contracts.

District Retirement Programs

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

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State recently passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

MEMBER CONTRIBUTION RATES
STRS Defined Benefit Program

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired After January 1, 2013
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200%	8.560%
July 1, 2016	10.250%	9.205%
July 1, 2017	10.250%	9.205%

Source: AB 1469.

Pursuant to AB 1469, K-14 school districts' contribution rate will increase over a seven-year phase-in period in accordance with the following schedule:

K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS Defined Benefit Program

Effective Date	K-14 School District
July 1, 2014	8.88%
July 1, 2015	10.73%
July 1, 2016	12.58%
July 1, 2017	14.43%
July 1, 2018	16.28%
July 1, 2019	18.13%
July 1, 2020	19.10%

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter, the STRS Teachers' Retirement Board (the "STRS Board") is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

The District's contribution to STRS for the most recent fiscal years was as follows:

Fiscal Year	District STRS Contribution
2012-13	$ 5,047,312
2013-14	5,051,152
2014-15	5,489,461
2015-16	11,366,536
2016-17	8,530,519
2017-18	9,905,356
2018-19[(1)]	17,260,374

Source: Fullerton Joint Union High School District
(1) Projected.

The State also contributes to STRS, currently in an amount equal to 6.328% of teacher payroll for fiscal year 2016-17. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual COLA's, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2014 included 1,580 public agencies and 1,513 K-14 school districts. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which was 11.847% of eligible salary expenditures for fiscal year 2015-16 and 13.888% in fiscal year 2016-17. Participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which was 6% of their respective salaries for fiscal years 2015-16 and 2016-17. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contribution to PERS for the most recent fiscal years was as follows:

Fiscal Year	District PERS Contribution
2012-13	$ 2,005,958
2013-14	1,993,835
2014-15	2,062,164
2015-16	2,101,460
2016-17	2,621,751
2017-18	2,958,788
2018-19(1)	3,471,299

Source: Fullerton Joint Union High School District
(1) Projected.

For further information about the District's contributions to STRS and PERS, see APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018—Note 14.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference. Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS
(Dollar Amounts in Millions)(1)
Fiscal Years 2010-11 through 2016-17

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)(2)	Unfunded Liability (MVA)(2)(3)	Value of Trust Assets (AVA)(4)	Unfunded Liability (MVA)(4)
2010-11	$ 208,405	$ 147,140	$ 68,365	$ 143,930	$ 64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)(2)	Unfunded Liability (MVA)(2)(3)	Value of Trust Assets (AVA)(4)	Unfunded Liability (MVA)(4)
2010-11	$ 58,358	$ 45,901	$ 12,457	$ 51,547	$ 6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	—(5)	—(5)
2014-15	73,325	56,814	16,511	—(5)	—(5)
2015-16	77,544	55,785	21,759	—(5)	—(5)
2016-17(6)	84,416	60,865	23,551	—(5)	—(5)

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.
(1) Amounts may not add due to rounding.
(2) Reflects market value of assets.
(3) Excludes assets allocated to the SBPA reserve.
(4) Reflects actuarial value of assets.
(5) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.
(6) On April 18, 2018, the PERS Board approved the K-14 school district contribution rate for fiscal year 2018-19 and released certain actuarial information to be incorporated into the June 30, 2017 actuarial valuation to be released in the summer of 2018

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. The following are certain of the actuarial assumptions adopted by the STRS Board with respect to the STRS Defined Benefit Program Actuarial Valuation for fiscal year 2015-16: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," 7.25% investment rate of return (net of investment and administrative expenses), 3.00% interest on member accounts, 3.50% projected wage growth, and 2.75% projected inflation. According to the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016, the future revenue from contributions and appropriations for the STRS Defined Benefit Program was projected to be sufficient to finance its obligations. This finding reflects the scheduled contribution increases specified in AB 1469 and is based on the valuation assumptions and the valuation policy adopted by the STRS Board.

In recent years, the PERS Board of Administration (the "PERS Board") has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over the next three years in accordance with the following schedule: 7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. The new discount rate will go into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013 under the Reform Act (defined below) will also see their contribution rates rise. The three-year reduction of the discount rate to 7.0% is expected to result in average employer rate increases of approximately 1-3% of normal cost as a percent of payroll for most miscellaneous retirement plans and a 2-5% increase for most safety plans.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five-year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions will first be reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

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

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 (the "Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

The District's proportionate shares of the net pension liabilities, pension expense, deferred outflow of resources and deferred inflow of resources for STRS and PERS, as of June 30, 2018, are as shown in the following table.

Pension Plan	Net Pension Liability	Deferred Outflows Related to Pensions	Deferred Inflows Related to Pensions	Pension Expenses
STRS	116,524,800	31,923,856	13,520,508	9,742,330
PERS	35,586,943	10,831,632	1,470,593	5,386,363
Totals	152,111,743	42,755,488	14,991,101	15,128,693

Source: Fullerton Joint Union High School District 2017-18 Audited Financial Statements

For additional information, see APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018—Note 14.

Postemployment Benefits Other Than Pension Benefits

Plan Description. The District administers a single-employer defined benefit healthcare plan (the Plan). The Plan provides health, dental and vision insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 76 retirees and beneficiaries currently receiving benefits, and 1052 active Plan members. Benefit provisions are established through negotiations between the District and the bargaining unions representing employees and are renegotiated each bargaining period.

Funding Policy. The District currently finances benefits on a pay-as-you-go basis. The District contributes 100 percent of the cost equivalent to the premium of HMO single coverage. For the year ended June 30, 2018, the District contributed $1,269,355 to the plan.

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 changes in the District's total OPEB liability:

CHANGES IN TOTAL OPEB LIABILITY
Fiscal Year 2017-18

Balance at June 30, 2017	50,388,008
Service Cost	2,928,786
Interest Cost	1,637,733
Changes in Assumptions	622,561
Benefit Payments	(2,001,577)
Balance at June 30, 2018	53,575,511

Source: Fullerton Joint Union High School District 2017-18 Audited Financial Statements.

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, 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.

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018, Note 13.

District Debt

Short Term Obligations. The District has no outstanding short-term debt outstanding.

General Obligation Bonds. The following table shows all of the District's outstanding general obligation bonds, including the Bonds of this issue.

OUTSTANDING GENERAL OBLIGATION BONDS
Fullerton Joint Union High School District
As of February 27, 2019

Issue Date	Series	Original Principal Amount	Outstanding Amount as of February 6, 2019
9/15/10	2010 GO Refunding Bonds	$ 29,120,000	$21,625,000
5/14/13	2013 GO Refunding Bonds	21,700,000	19,420,000
10/28/15	Election of 2014, Series A	42,500,000	37,195,000
4/26/17	Election of 2014, Series B	40,000,000	36,225,000
4/25/18	Election of 2014, Series C	48,000,000	48,000,000
2/27/19	Election of 2014, Series D	21,000,000	21,000,000
		$181,320,000	$183,465,000

The following table shows the District's debt service obligations with respect to its outstanding general obligation bonds, including the Bonds of this issue.

DEBT SERVICE OBLIGATIONS ON
OUTSTANDING GENERAL OBLIGATION BONDS
Fullerton Joint Union High School District
As of February 27, 2019

Period Ending (8/1)	2010 Refunding Bonds	2013 Refunding Bonds	Election of 2014 Series A	Election of 2014 Series B	Election of 2014 Series C	Election of 2014 Series D	Total
2019	$ 2,809,812.50	$ 1,607,750.00	$ 2,485,081.26	$ 4,160,681.26	$ 1,961,200.00	$ 401,752.85	$ 13,426,277.87
2020	2,914,812.50	1,612,200.00	2,486,831.26	1,874,931.26	3,461,200.00	1,119,162.50	13,469,137.52
2021	2,980,812.50	1,618,800.00	2,484,431.26	1,996,681.26	2,586,200.00	1,129,262.50	12,796,187.52
2022	2,840,812.50	1,844,000.00	2,482,431.26	1,415,931.26	1,901,200.00	938,262.50	11,422,637.52
2023	2,924,062.50	1,869,000.00	2,482,681.26	1,497,431.26	1,943,700.00	977,162.50	11,694,037.52
2024	2,942,187.50	1,956,250.00	2,484,931.26	1,589,431.26	2,058,950.00	1,028,862.50	12,060,612.52
2025	3,223,437.50	2,026,500.00	2,483,931.26	1,681,181.26	2,178,575.00	1,087,537.50	12,681,162.52
2026	2,842,437.50	2,065,250.00	2,484,681.26	1,777,431.26	2,301,575.00	1,147,637.50	12,619,012.52
2027	2,849,687.50	2,143,750.00	2,486,931.26	1,872,681.26	2,427,575.00	1,213,887.50	12,994,512.52
2028	—	5,164,750.00	2,485,431.26	1,976,681.26	2,566,075.00	1,275,737.50	13,468,675.02
2029	—	5,265,750.00	2,485,181.26	2,088,681.26	2,701,075.00	1,343,187.50	13,883,875.02
2030	—	—	2,484,631.26	2,198,081.26	2,847,325.00	1,415,687.50	8,945,725.02
2031	—	—	2,482,581.26	2,315,218.76	2,998,825.00	1,489,187.50	9,285,812.52
2032	—	—	2,484,031.26	2,439,018.76	3,154,825.00	1,567,175.00	9,645,050.02
2033	—	—	2,486,531.26	2,564,418.76	3,314,575.00	1,644,125.00	10,009,650.02
2034	—	—	2,487,156.26	2,697,418.76	4,127,325.00	1,054,775.00	10,366,675.02
2035	—	—	2,483,456.26	2,836,481.26	4,239,825.00	1,233,775.00	10,793,537.52
2036	—	—	2,485,281.26	2,974,043.76	3,844,825.00	1,902,275.00	11,206,425.02
2037	—	—	2,484,743.76	3,124,943.76	4,037,075.00	1,994,025.00	11,640,787.52
2038	—	—	2,484,143.76	3,280,400.00	4,232,956.26	2,091,025.00	12,088,525.02
2039	—	—	2,485,918.76	3,435,600.00	4,438,712.50	2,194,525.00	12,554,756.26
2040	—	—	2,487,000.00	3,605,200.00	4,653,668.76	2,296,925.00	13,042,793.76
2041	—	—	—	4,503,200.00	5,792,150.00	2,817,325.00	13,112,675.00
2042	—	—	—	—	8,455,950.00	4,041,675.00	12,497,625.00
Total	$26,328,062.50	$27,174,000.00	$54,668,018.96	$57,905,768.94	$82,225,362.52	$37,404,952.85	$285,706,165.77

General Fund Obligations. On September 1, 2015, the District caused the execution and delivery of its certificates of participation in the principal amount of $20,525,000 to refund certificates of participation delivered in 2007.

Capital Lease Obligations. The District has no outstanding capital lease obligations.

2018-19 State Budget

On June 28, 2018, Governor Brown approved the final 2018-19 State Budget (the "2018-19 Budget"), a $201.4 billion plan which includes funding of $97.2 billion ($56.1 billion General Fund and $41.1 billion other funds) for K-12 education programs and a $6.16 billion increase in one-time and ongoing appropriations for K-12 school districts in Fiscal Year 2018-19. The 2018-19 Budget also includes $500 million in grants for cities to use to address homelessness and anticipates placing the $2 billion 'No Place Like Home' bond on the November 2018 ballot to accelerate the delivery of housing projects to serve individuals with mental illness. Altogether, the 2018-19 Budget includes $5 billion related to affordable housing and homelessness, across multiple State departments and programs and increases the value of welfare grants through the CalWORKS program by approximately $360 million. The 2018-19 Budget also includes $79 million for programs to help those in the U.S. illegally by funding legal services programs and assistance for young adults who signed up with the Deferred Action for Childhood Arrivals program.

For K-12 schools, the 2018-19 Budget provides an increase in funding levels of approximately $4,633 per student over Fiscal Year 2011-12 levels and notes that available funding will allow the State to reach 100-percent implementation of the LCFF. In an effort to improve student achievement and transparency, the 2018-19 Budget requires school districts to create a link between their local accountability plans and their budgets to show how increased funding is being spent to support English learners, students from low-income families, and youth in foster care. The 2018-19 Budget also provides $300 million to school district targeting improvements for the State's lowest performing students, and includes $82.8 million in specific funding for K-12 accountability measures including the following:

- *Statewide System of Support*. $57.8 million Proposition 98 General Fund for county offices of education to provide technical assistance to school districts.

- *Multi-Tiered Systems of Support ("MTSS")*. $15 million one-time Proposition 98 General Fund to expand the state's MTSS framework.

- *Community Engagement Initiative*. $13.3 million one-time Proposition 98 General Fund for the California Collaborative for Educational Excellence.

- *Special Education Local Plan Area ("SELPA") Technical Assistance*. $10 million Proposition 98 General Fund for SELPAs to assist county offices of education in providing technical assistance.

In addition, the 2018-19 Budget includes the following features affecting K-12 school districts:

- *Classified School Employee Summer Assistance Program*. $50 million one-time Proposition 98 General Fund to provide State matching funds to classified school employees that elect to have a portion of their monthly paychecks withheld during the school year and then paid during the summer recess period.

- *Classified School Employee Professional Development Block Grant Program*. $50 million one- time Proposition 98 General Fund for professional development opportunities for classified staff, with a priority on professional development for the implementation of school safety plans.

- *English Language Proficiency Assessment for California ("ELPAC")*. $27.1 million one-time Proposition 98 General Fund to convert the paper-based ELPAC to a computer-based assessment and to develop an ELPAC assessment specific to students with exceptional needs.

- *Charter School Facility Grant Program*. $21.1 million one-time and $24.8 million ongoing Proposition 98 General Fund to reflect increases in programmatic costs.

- *Kids Code After School Program*. $15 million one-time Proposition 98 General Fund to increase opportunities for students in after-school programs to access computer coding education.

- *Fire-Related Support*. $4.4 million Proposition 98 General Fund over two years in property tax relief to schools impacted by the fires in Northern and Southern California in 2017, and an additional $25 million Proposition 98 General Fund relief through the LCFF.

- *Local Solutions Grant Program.* $50 million one-time Proposition 98 General Fund to provide one-time competitive grants to local educational agencies to develop and implement new, or expand existing, locally identified solutions that address a local need for special education teachers.

- *Teacher Residency Grant Program.* $75 million one-time Proposition 98 General Fund to support locally sponsored, one-year intensive, mentored, clinical teacher preparation programs with $50 million aimed at preparing and retaining special education teachers and $25 million aimed at bilingual and science, technology, engineering and mathematics teachers.

2019-20 Proposed State Budget

On January 9, 2019, Governor Gavin Newsom released his proposed State budget for Fiscal Year 2019-20 (the "2019-20 Proposed State Budget"). The $209 billion 2019-20 Proposed State Budget represents a 4 percent increase over the previous year. According to analysis of the 2019-20 Proposed State Budget by the Legislative Analyst's Office lower-than-expected state spending on health and human services programs during the 2018-19 fiscal year lead to an additional $20.6 billion in available discretionary resources for Governor Newsom to allocate in 2019-20. The 2019-20 Proposed State Budget proposes spending nearly half of these resources, $9.7 billion, to pay down certain state liabilities, including unfunded retirement liabilities and budgetary debts; $5.1 billion—25 percent—to one-time or temporary programmatic spending and $3 billion—15 percent—to discretionary reserves.

The 2019-20 Proposed State Budget estimates revenues will grow by $5.1 billion (3.6 percent) compared to 2018-19, a growth rate consistent with recent years. Spending is projected to remain flat compared to the prior year, though the 2019-20 Proposed State Budget attributes at least $7 billion in certain debt repayment proposals to the 2018-19 fiscal year. The 2019-20 Proposed State Budget calls for putting $1.8 billion into the state's rainy-day fund, which would increase it to a total of $15.3 billion.

The 2019-20 Proposed State Budget includes a record $80.7 billion for K-12 education. Proposition 98 K-12 per-pupil funding is increased to $12,003, up from $11,568 in 2018-19. LCFF funding is set at approximately $63 billion, representing a 3.46-percent cost-of-living adjustment over the prior year. Significant new K-12 related expenditures include $125 million in funding to increase access to full-day preschool, $750 million to fund more all-day kindergarten programs and a $3 billion one-time payment to trim school districts' pension costs, which is estimated to save school districts an estimated $6.9 billion over 30 years. The 2019-20 Proposed State Budget also provides $750 million for schools to build or retrofit classrooms to provide full-day kindergarten programs. The 2019-20 Proposed State Budget also includes the following adjustments to K-12 related expenditures relative to prior years:

- *School District Declining Average Daily Attendance*—A decrease of $388 million Proposition 98 General Fund in 2018-19 for school districts resulting from a decrease in projected average daily attendance from the 2018 Budget Act, and a decrease of $187 million Proposition 98 General Fund in 2019-20 for school districts resulting from a further projected decline in average daily attendance for 2019-20.

- *Local Property Tax Adjustments*—A decrease of $283 million Proposition 98 General Fund for school districts and county offices of education in 2018-19 as a result of higher offsetting property tax revenues, and a decrease of $1.25 billion Proposition 98 General Fund for school districts and county offices of education in 2019-20 as a result of increased offsetting property taxes.

- *CalWORKs Stages 2 and 3 Child Care*—A net increase of $119.4 million non-Proposition 98 General Fund in 2019-20 to reflect increases in the number of CalWORKs child care cases. Total costs for Stage 2 and 3 are $597 million and $482.2 million, respectively.

- *Full-Year Implementation of Prior Year State Preschool Slots*—An increase of $26.8 million Proposition 98 General Fund to reflect full-year costs of 2,959 full-day State Preschool slots implemented part-way through the 2018-19 fiscal year. County Offices of Education—An increase of $9 million Proposition 98 General Fund to reflect a 3.46-percent cost-of-living adjustment and average daily attendance changes applicable to the LCFF.

- *Instructional Quality Commission*—An increase of $279,000 General Fund on a one-time basis for the Instructional Quality Commission to continue its work on the development of model curriculum and frameworks.

Future State Budgets

The District receives a significant portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the District and other school districts in the State.

The District cannot predict the extent of the budgetary problems the State will encounter in this Fiscal Year or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the District cannot predict the final outcome of current and future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors over which the District has no control.

Supplemental Information Concerning Litigation Against the State of California

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

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

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

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIIIA of the California Constitution

Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restored value of the damaged property. The State courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the District.

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

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency, if any, claims on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

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

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

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

Article XIIIB of the California Constitution

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

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

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

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

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

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

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

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it will be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution.

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 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 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. The District estimates that it will receive $96,264 in Lottery aid in fiscal year 2018-19, representing approximately 1% of the District's general fund revenues. At this time, the amount of additional revenues that may be generated by the Lottery in any given 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% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

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

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

Alternatively, charter schools are independent public schools formed by teachers, parents, and other individuals and/or groups. The schools function under contracts or "charters" with local school districts, county boards of education, or the State Board of Education. They are exempt from most State laws and regulations affecting public schools. As of June 2000, there were 309 charter schools in California, serving about 105,000 students (less than 2% of all K-12 students). The law permits an additional 100 charter schools each year until 2003, at which time the charter school program will be reviewed by the Legislature. Under current law, school districts must allow charter schools to use, at no charge, facilities not currently used by the district for instructional or administrative purposes.

Proposition 39 requires that each local K-12 school district provide charter school facilities sufficient to accommodate the charter school's students. A K-12 school district, however, would not be required to spend its general discretionary revenues to provide these facilities for charter schools. Instead, the district could choose to use these or other revenues — including State and local bonds. Such facilities must be reasonably equivalent to the district schools that such charter students would otherwise attend. The respective K-12 school district is permitted charge the charter school for its facilities if district discretionary revenues are used to fund the facilities and a district may decline to provide facilities for a charter school with a current or projected enrollment of fewer than 80 students who are residents in the District.

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.

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 February 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 or a Mello-Roos Community Facilities District bond in the future, although certain procedures and burdens of proof may be altered slightly. The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Propositions 98 and 111

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

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

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

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

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

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

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

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

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

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

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Many of the provisions of Proposition 1A have been superseded by Proposition 22 enacted in November 2010.

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

On December 30, 2011, the California Supreme Court issued its decision in the case of California Redevelopment Association v. Matosantos, finding California Assembly Bill x1 26 to be constitutional and California Assembly Bill x1 27 to be unconstitutional. As a result, all redevelopment agencies in California were dissolved on February 1, 2012, and the property tax revenue which previously flowed to the redevelopment agencies is now instead going to other local governments, including school districts. It is likely that the dissolution of redevelopment agencies has mooted the effects of Proposition 22.

Proposition 30 and Proposition 55

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax (which expired on January 1, 2017) and personal income tax rates on higher incomes. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and through the taxable year ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for head-of-household filers and over $500,000 but less than $600,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for head-of-household filers and over $600,000 but less than $1,000,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $680,000 for head-of-household filers and over $1,000,000 for joint filers).

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

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, a constitutional amendment initiative, was approved by California voters at the November 8, 2016 general election in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Tax revenue received under Proposition 55 will be allocated 89% to K-12 schools and 11% to community colleges. The sales and use tax rate increase under Proposition 30 will not be extended.

Proposition 2

Proposition 2, also known as The Rainy Day Budget Stabilization Fund Act ("Proposition 2") was approved by California voters on November 8, 2016. Proposition 2 provides for changes to State budgeting practices, including revisions to certain conditions under which transfers are made into and from the State's Budget Stabilization Account (the "Stabilization Account") established by the California Balanced Budget Act of 2004 (also known as Proposition 58). Commencing in Fiscal Year 2015-16 and for each Fiscal Year thereafter, the State is required to make an annual transfer to the Stabilization Account in an amount equal to 1.5% of estimated State general fund revenues (the "Annual Stabilization Account Transfer"). For a Fiscal Year in which the estimated State general fund revenues allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues, supplemental transfers to the Stabilization Account (a "Supplemental Stabilization Account Transfer") are also required. Such excess capital gains taxes, which are net of any portion thereof owed to K-14 school districts pursuant to Proposition 98, are required to be transferred to the Stabilization Account.

In addition, for each Fiscal Year, Proposition 2 increases the maximum size of the Stabilization Account to 10% of estimated State general fund revenues. Such excess amounts are to be expended on State infrastructure, including deferred maintenance, in any Fiscal Year in which a required transfer to the Stabilization Account would result in an amount in excess of the 10% threshold. For the period from Fiscal Year 2015-16 through Fiscal Year 2029-30, Proposition 2 requires that half of any such transfer to the Stabilization Account (annual or supplemental), shall be appropriated to reduce certain State liabilities, including repaying State interfund borrowing, reimbursing local governments for State mandated services, making certain payments owed to K-14 school districts, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. After Fiscal Year 2029-30, the Governor and the Legislature are given discretion to apply up to half of any required transfer to the Stabilization Account to the reduction of such State liabilities and any amount not so applied shall be transferred to the Stabilization Account or applied to infrastructure, as set forth above.

Accordingly, the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the Stabilization Account are impacted by Proposition 2. Unilateral discretion to suspend transfers to the Stabilization Account are not retained by the Governor. Neither does the Legislature retain discretion to transfer funds from the Stabilization Account for any reason, as was previously provided by law. Instead, the Governor must declare a "budget emergency" (defined as an emergency within the meaning of Article XIIIB of the Constitution) or a determination that estimated resources are inadequate to fund State general fund expenditure, for the current or ensuing Fiscal Year, at a level equal to the highest level of State spending within the three immediately preceding Fiscal Years, and any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the Stabilization Account are limited to the amount necessary to address the budget emergency, and no draw in any Fiscal Year may exceed 50% of the funds on deposit in the Stabilization Account, unless a budget emergency was declared in the preceding Fiscal Year.

Proposition 2 also provides for the creation of a Public School System Stabilization Account (the "Public School System Stabilization Account") into which transfers will be made in any Fiscal Year in which a Supplemental Stabilization Account Transfer is required, requiring that such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the minimum funding guarantee. Transfers to the Public School System Stabilization Account are only to be made if certain additional conditions are met, including that: (i) the minimum funding guarantee was not suspended in the immediately preceding Fiscal Year, (ii) the operative Proposition 98 formula for the Fiscal Year in which a Public School System Stabilization Account transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the Fiscal Year in which a Public School System Stabilization Account transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the Fiscal Year in which a Public School System Stabilization Account transfer might be made is higher than the immediately preceding Fiscal Year, as adjusted for ADA growth and cost of living.

Under Proposition 2, the size of the Public School System Stabilization Account is capped at 10% of the estimated minimum guarantee in any Fiscal Year, and any excess funds must be paid to K-14 school districts. Any reductions to a required transfer to, or draws upon, the Public School System Stabilization Account, are subject to the budget emergency requirements as described above. However, in any Fiscal Year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living, Proposition 2 also mandates draws on the Public School System Stabilization Account.

Proposition 26

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

California Senate Bill 222

Senate Bill 222 ("SB 222") was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by ad valorem tax collections such as the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

Kindergarten Through Community College Public Education Facilities Bond Act of 2016

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds by the State for the new construction and modernization of K-14 facilities. The District makes no guarantee that it will either pursue or qualify for Proposition 51 state facilities funding.

K-12 School Facilities. Proposition 51 includes $3 billion for the new construction of K-12 facilities and an additional $3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of $1 billion will be available for the modernization and new construction of charter school ($500 million) and technical education ($500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at $3 million for a new facility and $1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes $2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and Legislature will select among eligible projects as part of the annual state budget process.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the State Constitution and Propositions 2, 22, 26, 30, 39, 46, 55 and 98 were each adopted as measure that qualified for the State ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

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APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2018

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FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Fullerton Joint Union High School District
Fullerton, 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 Fullerton Joint Union High School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to in the aforementioned table of contents present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle (see Note 18). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information schedules as listed in the aforementioned table of contents 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 District's basic financial statements. The supplementary schedules, combining non-major fund financial statements, the continuing disclosure information and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, *Uniform Administrative Requirements, Cost Principles, and Audit*

Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary section, including the schedule of expenditures of federal awards and the combining non-major fund financial statements, 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 section, including the schedule of expenditures of federal awards, and the combining non-major fund financial statements is fairly stated in all material respects in relation to the financial statements as a whole.

The continuing disclosure information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s 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 the District’s internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 29, 2018

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FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

This section of Fullerton Joint Union High School District's (the District) annual financial report presents the District's discussion and analysis of its financial performance during the fiscal year that ended on June 30, 2018. This should be read in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

The *Fiduciary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

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

Financial Highlights

- LCFF Sources - The District received approximately $130.3 million ($59.2 million in state LCFF and $71.1 million in local taxes) in 2017/18 as compared with $129.5 million ($63.8 million in state LCFF and $65.7 million in local taxes) in 2016/17. This represents an increase of $0.8 million.

- Federal, Other State, & Local Sources – The district received and reported in 2017/18 approximately $36.9 million in Federal, Other State, & Local Revenue in the General Fund compared to $36.9 million in 2016/17.

- Collective bargaining agreements with all employee groups were settled through June 30, 2018. An agreement was entered on April 3, 2018 between the Fullerton Joint Union High School District and the Fullerton Secondary Teachers' Organization (FSTO). An extension to the FSTO contract was made through June 30, 2020.

  The Fullerton Joint Union High School District and the California School Employees Association (CSEA) Chapter 82 entered into an agreement on March 22, 2018 for the 2017/18 school year. On March 22, 2018 a new term agreement was also reached with CSEA, for the period July 1, 2018 through June 30, 2021.

  These agreements incorporated a 2.5% on-salary schedule increase effective July 1, 2017. For the 2018/19 school year the on-salary schedule increase, effective July 1, 2018, was 0.65%.

- For the 2018/19 and 2019/20 school years, trigger language will take effect if the Local Control Funding Formula Base amount at the time the State adopts the respective year's budget is more than $120,061,041 for 2018/19 and $122,248,820 for 2019/20. For these calculations the ADA will remain constant at the 2017/18 Second Interim Report numbers of 13,443.18 ADA for 2018/19 and 13,366.37 ADA for 2019/20.

- In November 2014 the voters approved Measure I authorizing up to $175 million in General Obligation Bonds. The first series of bonds ($42.5 million) were sold in October 2015, the second series of bonds ($40.0 million) were sold in April 2017, and the third series of bonds ($48.0 million) were sold in April 2018.

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 full-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 therein. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, 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 be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, District activities are separated as follows:

Governmental Activities – The District reports all of its services in this category. This includes supporting student achievement in the education of ninth through twelve grade students, the operation of adult education programs, compensation for employee salary and benefit costs, and improving and maintaining District facilities. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

***Proprietary Funds* -** When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. The District uses internal service funds a type of proprietary fund) to report activities of the District's Self-Insurance and Workers Compensation programs. The internal service funds are consolidated with governmental activities in the government-wide financial statements.

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 such as associated student body activities and non-obligatory debt of the Fullerton Joint Union High School District Community Facilities District. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position*. The District excludes these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

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

	Governmental Activities	
	2018	2017
Assets		
Current and Other Assets	$ 173,466,322	$ 163,455,244
Capital Assets	223,157,232	180,975,741
Total Assets	396,623,554	344,430,985
Deferred Outflows of Resources	44,908,584	26,850,173
Liabilities		
Current Liabilities	32,683,067	34,448,768
Long-term Liabilities	403,332,775	304,342,012
Total Liabilities	436,015,842	338,790,780
Deferred Inflows of Resources	14,991,101	14,436,225
Net Position		
Net Investment in Capital Assets	89,304,416	87,657,603
Legally Restricted	26,557,374	20,986,435
Unrestricted	(125,336,595)	(90,589,885)
Total Net Position	$ (9,474,805)	$ 18,054,153

The District's net position was ($9,474,805) for the fiscal year ended June 30, 2018, reflecting a decrease from prior year of $27,528,958. Of this amount, $26,557,374 was restricted. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use that net position for day-to-day operations.

The ($125,336,595) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position is 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. The June 30, 2018, unrestricted net position decreased $34,746,710 as compared to June 30, 2017.

In addition, the increase in long-term obligations and deferred inflows and outflows of resources is directly related to the implementation of GASB Statement No. 75 related to the recording of postemployment healthcare benefit obligations, the recording of changes in pension related obligations, as well as the issuance of general obligation bonds. Refer to Notes 11, 13 and 14 for further discussion.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* in the District's financial statements. Table 2 takes the information from the statement and rearranges it slightly so the reader can identify the District's total revenues for the year.

Table 2

	2017-18	2016-17
Revenues		
Program Revenues:		
Charges for Services	$ 443,839	$ 492,548
Operating Grants and Contributions	30,189,502	29,413,961
Capital Grants and Contributions	3,784	3,662
General Revenues:		
Property Taxes	83,267,702	76,047,670
Federal and State Aid Unrestricted	64,865,891	70,229,935
Interest, Investment and Miscellaneous	7,794,656	6,789,460
Total Revenues	186,565,374	182,977,236
Expenses		
Instruction and Related Services	111,396,208	116,502,811
Pupil Services	20,855,722	21,262,701
Ancillary, Community, and Enterprise Activities	2,288,497	1,237,011
General Administration	8,304,986	6,264,783
Plant Services	19,183,976	19,166,492
Other Outgo	7,500,418	8,106,565
Debt Service-Interest	5,681,457	4,222,114
Depreciation (unallocated)	5,127,655	5,059,780
Total Expenses	180,338,919	181,822,257
Change in Net Position	6,226,455	1,154,979
Net Position - Beginning, as originally stated	18,054,153	16,899,174
Adjustment for cumulative effect of change in accounting principle (Note 18)	(33,755,413)	-
Net Position - Beginning of Year, as restated	(15,701,260)	16,899,174
Net Position - End of Year	$ (9,474,805)	$ 18,054,153

As shown above in Table 2, the cost of all governmental activities in fiscal year 2017/18 was $180,338,919. Federal and state unrestricted revenues totaled $64,865,891, local property tax revenue totaled $83,267,702, and other local revenues – including contributions and donations totaled $7,794,656.

THE DISTRICT'S FUNDS

As the District completed this year, governmental funds reported a combined fund balance of $148,157,484, which is an increase of $11,722,607 from the prior year (see Table 3 below).

Table 3

	June 30, 2018	June 30, 2017
Revenues	$ 185,955,265	$ 182,872,262
Expenditures	223,097,776	197,377,140
Deficiency	(37,142,511)	(14,504,878)
Other Financing Sources (net)	48,865,118	42,218,565
Net Change in Fund Balance	11,722,607	27,713,687
Beginning Fund Balance	136,434,877	108,721,190
Ending Fund Balance	$ 148,157,484	$ 136,434,877

The primary reasons for this net decrease include:

- Increased state funding under LCFF and Federal, State and Local Revenues.
- Increase in spending related to capital projects as further described on page –x– and debt service on general obligation bonds for these improvements.
- Issuance of $48.0 million in Measure I, Series C General Obligation Bonds.

Of these funds, the District's general operating fund, the General Fund consists of activity in the General Fund (Fund 1), the Deferred Maintenance Fund (Fund 14), the Special Reserve Fund for Other than Capital Outlay (Fund 17), and the Special Reserve Fund (Fund 20). Below is a table showing changes from 2016/17 to 2017/18:

Table 4

	June 30, 2018	June 30, 2017	Change
Revenues	$ 167,107,330	$ 166,339,755	$ 767,575
Expenditures	(158,008,771)	(164,604,438)	(6,595,667)
Other Financing Uses	(3,645,189)	(2,808,621)	836,568
Net Change in Fund Balance	5,453,370	(1,073,304)	6,526,674
Fund Balances at Beginning of Year	54,127,625	55,200,929	(1,073,304)
Fund Balance at End of Year	$ 59,580,995	$ 54,127,625	$ 5,453,370

The primary reasons for the decrease in expenditures include:

- A decrease in classified salaries expense due to a retroactive payroll recorded in the 2016-17 year.
- A decrease in books and supplies due to textbook implementation and chrome books in the 2016-17 year.

General Fund Budgetary Highlights

In June of each year, a Budget is adopted by the Board of Trustees, effective July 1 through June 30 for the fiscal year. The "Adopted Budget" is developed based on on-going operational expenditures without carryover and one-time unanticipated new revenues. As the school year progresses, the Budget is revised and updated regularly. The final revision of the Budget which is also known as the Estimated Actuals Budget is presented in June, toward the end of the fiscal year. In August following the close of the fiscal year, the books are closed and the results are audited, yielding the Final Budget and numbers which are included in the Annual Financial Report.

A schedule of budgetary comparison for the General Fund can be found on page 57. The key differences between the Adopted Budget, the Estimated Actuals Budget, and Final Budget are attributable to adjusted revenue and expenditures projections and carryovers amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $223,157,232 in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment. This amount represents a net increase (including additions, retirements, and depreciation) of $42,181,491. This was primarily related to modernization projects for gym, theater and stadium facilities and various campuses as well as seismic mitigation projects throughout the District.

Table 5

	June 30, 2018	June 30, 2017
Land and Construction in Progress	$ 47,733,357	$ 18,064,128
Buildings and Improvements, Furniture and Equipment, Vehicles	258,899,103	242,490,025
Less Accumulated Depreciation	(83,475,228)	(79,578,412)
Total	$ 223,157,232	$180,975,741

Long-Term Obligations

At the end of the fiscal year, the District had $411,488,293 in long-term obligations versus $311,857,096 the prior fiscal year. This increase is primarily attributable to the increase in General Obligation Bond Debt of approximately $48,000,000 from the sale of Measure I, Series C bonds, the third series attributable to the $175 million General Obligation Bond measure authorized by the voters in November 2014. In addition, Net Pension Liability and Postemployment healthcare benefits increased by $19,413,222 and $36,849,236 respectively. Additional information on these increased can be found at Note 13, Note 14, and Note 18.

Table 6

	June 30, 2018	June 30, 2017*
General Obligation Bond Debt	$ 169,665,000	$128,245,000
Unmatured Premium (GO Bond)	12,265,773	9,366,271
Certificates of Participation (COP's)	19,295,000	19,920,000
Unmatured Premium (COP's)	1,766,791	1,859,780
Capital Leases	78,496	114,010
Compensated Absences	1,347,837	1,270,527
Early Retirement Incentive	549,140	823,710
Net Pension Liability	152,111,743	132,698,521
Other Post-Employment Benefits	54,408,513	51,314,690
Total	$ 411,488,293	$345,612,509

* The July 1, 2017 balance has been restated by $33,755,413 for the cumulative effect of the adoption of Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This includes the District's Postemployment Medical Benefits Plan and the Medicare Premium Payment Program. See note 18.

The State limits the amount of general obligation debt that districts can issue to 1.25 percent of the assessed value of all taxable property within the District's boundaries. This is also known as the District's bonding capacity. For fiscal year 2017/18 the District's assessed valuation was $33,418,644,862 and the statutory bonding capacity was $417,733,060. Outstanding general obligation debt totaled $169,665,000, providing a remaining bonding capacity of $248,068,060.

Pension liabilities are paid based on funding rates set by the respective retirement plan. Post-employment healthcare benefits are funded on a pay-as-you-go basis.

SIGNIFICANT ACCOMPLISHMENTS

- All six of the District's Schools were ranked in *US News& World Report*'s Top 2,000 high schools in the nation:

	State Rank	National Rank
Troy High School	51	326
Sunny Hills High School	104	599
Sonora High School	197	1,081
Buena Park High School	237	1,279
La Habra High School	333	1,753
Fullerton Union High School	321	1,711

- Troy High School in 2018 was named by Niche.com as #3 Best Public High School in California, #1 Best Public High School in Orange County, #1 Best Public High School in Los Angeles Area, #28 Best College Prep Public High Schools in America, and #33 Best Public High School in America.

  In addition to these prestigious awards, Troy High School also received the following ratings from US News and World Report of being a 2018 Gold Medal School ranked #32 in STEM, #51 in California High Schools, and #65 in Magnet High School in the Nation. The school's students also became the 2018 Science Olympiad National Champions; placed second at the 2018 JROTC Cyber Patriot National competition and received the 2017-2018 California Honor Roll award from Educational Results Partnership Campaign for Business and Education Excellence.

- Sixty-six percent of the Sunny Hills High School students participated in Advanced Placement course work and exams. The Accolade and Helios are Sunny Hills High School's newspaper and yearbook. They were honored as the best newspaper and yearbook combination in Orange County. The girls' basketball team won the Southern California Regional Championship and their head coach Jae Byun was named Orange County Girls Basketball Coach of the Year. Additionally, Keith Nighswonger was named Girls Water Polo Coach of the Year 2018. This high school has a ninety-nine percent graduation rate.

- In fall of 2010, Sonora High School became a school-wide Title I Program. This designation continues today and provides greater opportunities to the entire at-risk student body population. A critical aspect of the school-wide Title I Program designation is the consolidation of State and Federal Funding. As a comprehensive high school, Sonora offers a wide range of subjects and programs to meet students' varying needs and interests. All students take the core curriculum to meet graduation requirements and to prepare them for college/career post-secondary education. Special programs existed for students with identified special needs. Sonora also offers a variety of extracurricular activities for the student body, and students are encouraged to make a connection to the school that included co- and extra-curricular involvement in sports, student government and leadership, i-PaTh, Agricultural Sciences, Digital Media Arts Academy, Medical Careers Academy, Army JROTC, Sports Medicine, and/or membership in some of the 30+ student clubs.

  Sonora continues to focus on student achievement through a variety of curricular and programmatic initiatives funded by our District and LCAP. The school followed the "intervention" model, in which all students take college preparatory level courses, and students who needed remediation or further assistance were placed in an additional intervention class. This approach, taken throughout the last several years, has significantly reduced the negative effects of English class tracking and has allowed the offered in mathematics and English Language Arts. Sonora administrators and faculty will continue to implement the research-based instructional strategies that have effectively raised student achievement at SOHS while focusing on the data and needs of each and every student.

Sonora High School earned a 6 Year Accreditation from the Western Association of Schools and Colleges (WASC). The school earned one of the first Gold Ribbon School Awards for their iPaTh Program, a Title I School Award from the California Department of Education and they were one of five schools in the Nation to receive and implement the Equity and Excellence (E2) Grant for our International Baccalaureate (IB) Program.

- Buena Park High School's Early College Program continues to be a magnet program for students around the Southern California area, allowing students to gain UC/CSU transferable college credit prior to high school graduation. BPHS increased the number of students taking Advanced Placement tests, the total of AP tests taken, and the overall passage rate this past year. In addition, the school added the prestigious AP Capstone Diploma Program to its course offerings, garnering a 77% pass rate during its first year of AP Seminar. The schools graduation rate remained almost 99%, with most of the population attending two-year or four-year public and private colleges.

  Buena Park High School boasts Presidential Scholars as well as Questbridge recipients; students now attending prestigious colleges such as Cornell, Stanford, Berkeley, Northwestern, Tuffs, as well as many local amazing universities such as USC, UCLA, UCI, and a myriad of CSUs. The school maintains a high caliber, award winning Visual/Performing Arts Pathways, as well as Career Technical Education (CTE) Pathways that propel students to higher education and careers. The schools Agriscience Program (#1 in the Western US), AFJROTC (distinguished unit), Culinary, Video Production, Visual Communications, and Sports Medicine; as well as a newly designed Computer Science/Engineering Program that incorporates a coding/AP Computer Science Principles and AP Computer Science coursework, along with Robotics and Artificial Intelligence (A.I.) Design pathways.

- La Habra High School's HiSTEP program (a school-wide intervention program) hit a new high for student achievement with a 30% drop in D/F grades. This program is in its 7th year and has resulted in 1,938 fewer students with D/F grades, and eighty-four percent of student earning grades of C or better. US News awarded La Habra High School a Silver Medal for a 7th consecutive year; Newsweek listed La Habra High School as a Top 1,000 School in the Nation, and the school was a 2018 California Honor Roll Award Winner for the first time in the school's history.

  La Habra High School received their fourth Phelps Grant in eight years and used the funds to purchase a new Fitness Center. This Fitness Center will supplement their Physical Education curriculum, as well as allow more student athletes to train and develop healthy lifestyles. La Habra High School has implemented an Advanced Placement Computer Science and Coding Pathway classes which has students passing with a grade of eighty-two percent or higher. For the 5^{th} time in recent history, the school's Theater Guild has had one of their students receive the Southern California best actor recognition. The student received a scholarship and earned a trip to perform on Broadway. La Habra High School Band also received a Silver Award at the NYC festival.

- Fullerton Union High School is very proud to celebrate their 125th Anniversary. They have had many celebrations honoring their rich traditions and history. They celebrated their homecoming by honoring three Alumni and inducting them into their Wall of Fame as well as hosting an Alumni Open House. Fullerton Union High School has felt the benefit of bond monies with upgrades throughout the campus, especially the complete renovation of their Arts Building, which added a Black Box Theater increasing their performance space to three areas, and a Gallery space which allows us to showcase the wonderful art our students create. Their theater director was named as the President of the California Educational Theater Association and his experience and connections continue to benefit the students in getting them college and career ready. They have grown other programs as well, by adding a Computer Science Program and expanding their BEAST (Biology, Engineering, Arts, Science, and Technology) program, which will include a Chemistry class component next year. The Fullerton Union High School Speech and Debate program continues to be successful and continues to win National Titles! All of their hard work came through and they are still on the Silver Medal list for US News and World Report's Best High Schools List for the 2018 school year!

- La Sierra's Adult Transition Program received the Grazer Outstanding Achievement Award (GOAL) from the California Advisory Commission on Special Education. Only one California program is honored with this prestigious GOAL Award each year. La Sierra independent study teacher, Lisa Valdes, was named the Co-District Teacher of the Year. La Sierra's Opportunity Program and La Vista High School successfully launched three Career Technical Education (CTE) pathways: Video Production, Graphic Production Technologies and Child Development. The Graphic Production Technologies Program received a Phelps Grant and used the funds to purchase a print-to-garment press further enhancing the CTE experiences for the students in this pathway. This is the seventh Phelps Grant awarded to La Vista/La Sierra. La Vista piloted an ELD program for thirty ELD students who were too far behind to graduate. 100% of the students are now on track to earn their high school diploma.

- Advanced Placement (AP) participation and pass rates are at an all-time high Districtwide.

- The District's 2017/18 attendance rate for its comprehensive high schools was 96 percent.

Economic Factors that may affect the Future

State Budget and 2018/19 LCFF – In 2013/14, the State implemented the Local Control Funding Formula (LCFF). This funding model formula establishes a base with supplemental and concentration add–ons for English learners, free and reduced–price meal eligible students and foster youth students.

Under LCFF, the District will plan for program needs based on input from a variety of District stakeholders including community members, administrators, certificated and classified staff, bargaining associations, parents, and students. This information is used to develop the District's Local Control Accountability Plan (LCAP). The District budgets LCFF funds in support of the LCAP.

The LCFF consists of two calculations. One is done for the base grant entitlement where the grade span per-pupil grants are increased annually for a Cost of Living adjustment (COLA). Another calculation is done for the Supplemental and Concentration grants. Supplemental and Concentration grant increases are calculated based on the percentage of total enrollment accounted for by English learners, free and reduced price meal (FRPM) program eligible students, and foster youth. The District does not qualify for the Concentration grant as the eligible student count does not exceed 55% of the District's enrollment.
Below is information related to projected LCFF amounts:

	2018/19	2019/20	2020/21
COLA	3.7%	2.57%	2.67%
LCFF Amount	$137,078,931	$138,114,960	$139,585,331

Projected Student Average Daily Attendance – District ADA is projected to decline in the 2018/19 school year. The District's CALPADS October 2018 enrollment count shows a decrease of 295 students from prior year numbers. The District's funded P-2 ADA shows a decrease of 271 students from prior year numbers. The 2018/2019 Enrollment and ADA estimates will be revised as new information is received. Since the District is in declining enrollment, the 2018/2019, 2019/2020, and 2020/2021 Local Control Funding Formula revenues will be calculated based on prior year numbers.

Lottery – Lottery income for years 2018/19, 2019/20 and 2020/21 is based on estimates from the State Department of Education, the Orange County Department of Education, and School Services of California. Projected 2018/19 lottery income by School Services of California was $151 per ADA for unrestricted uses and $53 per ADA for restricted uses and holds at that level for the next several years.

Special Education – It is estimated that the District will receive somewhat level funding for Special Education in 2018/19. Based on current estimates, the General Fund contribution in support of various Special Education programs in 2018/19 will be approximately $9,435,555 million.

Ending Fund Balance Projection – The District's 2017/18 ending fund balance and projected 2018/19, 2019/20 and 2020/21 ending fund balance are projected to meet the required 3% contingency reserve requirement.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact:

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FINANCIAL SECTION

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities
Assets	
Cash in county treasury	$ 167,281,873
Cash and cash equivalents	347,489
Accounts receivable	5,746,096
Inventories	90,864
Land	3,485,921
Construction in progress	44,247,436
Depreciable assets, net	175,423,875
Total Assets	396,623,554
Deferred Outflows of Resources	
Deferred charge on refunding	1,602,176
Deferred outflows - OPEB	550,920
Deferred outflows - pensions	42,755,488
Total Deferred Outflows of Resources	44,908,584
Liabilities	
Accounts payable and other current liabilities	13,730,930
Accrued interest	2,739,710
Unearned revenue	2,873,499
Claims liability (IBNR)	5,183,410
Current portion of long-term liabilities	8,155,518
Non-current portion of long term liabilities	403,332,775
Total Liabilities	436,015,842
Deferred Inflows of Resources	
Deferred inflows - pensions	14,991,101
Net Position	
Net investment in capital assets	89,304,416
Restricted for:	
Capital projects	4,100,552
Debt service	12,400,698
Educational programs	8,378,578
Other programs	1,677,546
Unrestricted	(125,336,595)
Total Net Position	$ (9,474,805)

See accompanying notes to the financial statements.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
Instruction	$ 96,502,686	$ -	$ 18,663,396	$ 3,784	$ (77,835,506)
Instruction - related services	14,893,522	-	1,202,658	-	(13,690,864)
Pupil services	20,855,722	423,187	6,982,468	-	(13,450,067)
Ancillary services	2,245,783	-	18,692	-	(2,227,091)
Enterprise activities	42,714	-	182	-	(42,532)
General administration	8,304,986	20,652	881,114	-	(7,403,220)
Plant services	19,183,976	-	843,809	-	(18,340,167)
Other outgo	7,500,418	-	1,597,183	-	(5,903,235)
Debt service - interest	5,681,457	-	-	-	(5,681,457)
Depreciation (unallocated)	5,127,655	-	-	-	(5,127,655)
Total Governmental Activities	$ 180,338,919	$ 443,839	$ 30,189,502	$ 3,784	(149,701,794)

General Revenues	
Property taxes levied for	
General purposes	71,107,363
Debt service	12,160,339
Federal and state aid not restricted to specific purposes	64,865,891
Interest and investment earnings	1,592,357
Miscellaneous	6,182,299
Internal transfers	20,000
Total General Revenues and Special Items	155,928,249
Change in net position	6,226,455
Net Position - Beginning of Year, as originally stated	18,054,153
Adjustment for cumulative effect of change in accounting principle (Note 18)	(33,755,413)
Net Position - Beginning of Year, as restated	(15,701,260)
Net Position - End of Year	$ (9,474,805)

See accompanying notes to the financial statements.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash in county treasury	$ 65,249,966	$ 76,446,826	$ 19,579,058	$ 161,275,850
Cash in revolving fund	50,000	-	10,712	60,712
Cash with fiscal agent	85,821	-	-	85,821
Cash awaiting deposit	-	-	956	956
Accounts receivable	5,493,722	130,936	112,173	5,736,831
Due from other funds	170,106	3,572	25,105	198,783
Inventories	61,567	-	29,297	90,864
Total Assets	$ 71,111,182	$ 76,581,334	$ 19,757,301	$ 167,449,817
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 6,046,436	$ 7,363,090	$ 157,403	$ 13,566,929
Due to other funds	2,660,048	-	198,127	2,858,175
Unearned revenue	2,823,703	-	43,526	2,867,229
Total Liabilities	11,530,187	7,363,090	399,056	19,292,333
Fund Balances				
Nonspendable	111,567	-	40,009	151,576
Restricted	6,659,117	69,218,244	19,316,330	95,193,691
Assigned	15,895,347	-	1,906	15,897,253
Unassigned	36,914,964	-	-	36,914,964
Total Fund Balances	59,580,995	69,218,244	19,358,245	148,157,484
Total Liabilities and Fund Balances	$ 71,111,182	$ 76,581,334	$ 19,757,301	$ 167,449,817

See accompanying notes to the financial statements.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2018

Total fund balances - governmental funds		$ 148,157,484
Amounts reported for governmental funds are different than the statement of net position because:		
Capital assets used in governmental activities are not financial resource and, therefore, are not reported as assets in governmental funds. These assets consist of:		
Land	$ 3,485,921	
Construction in progress	44,247,436	
Depreciable assets, net	175,423,875	223,157,232
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Capital leases	(78,496)	
Certificates of Participation (COPS)	(21,061,791)	
General obligation bonds	(181,930,773)	
Compensated absences	(1,347,837)	
Postemployment healthcare benefits	(54,408,513)	
Net pension liability	(152,111,743)	
Early retirement incentive	(549,140)	(411,488,293)
In governmental funds, deferred outflows and inflows of resources are not reported because they are applicable to future periods. Deferred outflows and inflows of resources at year-end consist of:		
Deferred charge on refunding	1,602,176	
Deferred outflows - OPEB	550,920	
Deferred outflows - pensions	42,755,488	
Deferred inflows - pensions	(14,991,101)	29,917,483
An internal service funds is used by the District to manage its self insurance programs. The assets and liabilities should be included with governmental activities. The fund consists of:		
Assets	8,874,680	
Less: Liabilities	(5,353,681)	3,520,999
Interest expense payable related to general obligation bonds and COPS was incurred but is not accrued in governmental funds as of June 30, 2018.		(2,739,710)
Total net position - governmental activities		$ (9,474,805)

See accompanying notes to the financial statements.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local control funding formula sources:				
State apportionments	$ 59,179,413	$ -	$ -	$ 59,179,413
Local sources	71,106,853	-	-	71,106,853
Total local control funding formula sources	130,286,266	-	-	130,286,266
Federal sources	6,463,367	-	2,811,450	9,274,817
Other state sources	15,078,638	-	295,927	15,374,565
Other local sources	14,545,886	2,477,562	13,262,996	30,286,444
Total Revenues	166,374,157	2,477,562	16,370,373	185,222,092
Expenditures				
Instruction	92,271,021	-	310,876	92,581,897
Instruction - related services	14,137,661	-	-	14,137,661
Pupil services	16,962,018	-	3,046,355	20,008,373
Ancillary services	2,188,489	-	-	2,188,489
Enterprise activities	41,667	-	-	41,667
General administration	7,798,452	-	159,522	7,957,974
Plant services	17,713,861	45,951,619	1,383,971	65,049,451
Other outgo	6,125,721	-	1,374,697	7,500,418
Debt service	36,708	1,514,597	11,347,368	12,898,673
Total Expenditures	157,275,598	47,466,216	17,622,789	222,364,603
Excess (deficiency) of revenues over expenditures	9,098,559	(44,988,654)	(1,252,416)	(37,142,511)
Other Financing Sources (Uses)				
Proceeds from sale of bonds	-	48,000,000	3,504,461	51,504,461
Interfund transfers in	-	19,975	990,746	1,010,721
Interfund transfers out	(3,645,189)	-	(4,875)	(3,650,064)
Total Other Financing Sources (Uses)	(3,645,189)	48,019,975	4,490,332	48,865,118
Net changes in fund balance	5,453,370	3,031,321	3,237,916	11,722,607
Fund Balances at Beginning of Year	54,127,625	66,186,923	16,120,329	136,434,877
Fund Balances at End of Year	$ 59,580,995	$ 69,218,244	$ 19,358,245	$ 148,157,484

See accompanying notes to the financial statements.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

Net change in fund balances - total governmental funds		$ 11,722,607
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than $5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.		
Capital asset additions	47,537,798	
Loss on disposal of assets	(228,652)	
Depreciation expense	(5,127,655)	42,181,491
Issuance of long-term debt is reported as proceeds in governmental funds but increases long-term liabilities in the statement of net position.		
General obligation bond including premium		(51,504,461)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General obligation bond principal payments	6,580,000	
COP principal payments	625,000	
Capital lease principal payments	35,514	7,240,514
In governmental funds, pension costs are recognized when the employer contributions are made, but in the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual basis pension costs and actual employer contributions was:		
Net increase in deferred outflows of resources - pensions	17,591,815	
Net increase in net pension liability	(19,413,222)	
Net increase in deferred inflows of resources - pensions	(554,876)	(2,376,283)
In governmental funds, OPEB costs are recognized when the health and welfare payments are made, but in the statement of activities, OPEB costs are recognized on the accrual basis. The difference between accrual basis OPEB costs and actual health and welfare payments:		
Net increase in deferred outflows of resources - OPEB	550,920	
Net increase in OPEB liability	(3,093,823)	(2,542,903)
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:		
Amortization of deferred charge on refunding	(84,324)	
Recognition of increase in accrued interest expense	(636,922)	
Amortization of general obligation bonds premium	604,959	
Amortization of COP premium	92,989	
Increase in compensated absences	(77,310)	
Decrease in early retirement incentive	274,570	173,962
Internal service funds are used by the District to manage Self-Insurance programs. Net income is reported with governmental activities.		1,331,528
Change in net position of governmental activities		$ 6,226,455

See accompanying notes to the financial statements.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
June 30, 2018

	Governmental Activities: Internal Service Fund
	Self-Insurance Fund
Assets	
Cash in county treasury	$ 6,006,023
Cash and cash equivalents	200,000
Accounts receivable	9,265
Due from other funds	2,659,392
Total Assets	8,874,680
Liabilities	
Accounts payable	164,001
Unearned revenue	6,270
Estimated liability for open claims incurred but not recorded	5,183,410
Total Liabilities	5,353,681
Net Position	
Restricted	3,520,999
Total Net Position	$ 3,520,999

See accompanying notes to the financial statements.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2018

	Governmental Activities: Internal Service Fund Self-Insurance Fund
Operating Revenues	
Self-insurance premiums	$ 18,532,870
Other miscellaneous revenues	183,862
Total Operating Revenues	18,716,732
Operating Expenditures	
Classified salaries	279,012
Employee benefits	256,670
Services and other operating expenses	19,600,467
Total Operating Expenditures	20,136,149
Net operating loss	(1,419,417)
Non-Operating Revenues	
Interest income	91,602
Interfund transfers in	2,659,343
Total Non-Operating Revenues	2,750,945
Net income	1,331,528
Net Position at Beginning of Year	2,189,471
Net Position at End of Year	$ 3,520,999

See accompanying notes to the financial statements.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2018

	Governmental Activities
	Self-Insurance Fund
Cash Flows from Operating Activities	
Cash received from premiums and other revenues	$ 17,375,414
Cash paid to/on behalf of employees	(535,682)
Cash paid to vendors for services and other operating expenses	(19,562,219)
Net cash used by operating activities	(2,722,487)
Cash Flows from Investing Activities	
Interest income	88,043
Net cash provided by investing activities	88,043
Cash Flows from Financing Activities	
Interfund transfer in	2,659,343
Net cash provided by financing activities	2,659,343
Net increase in cash and cash equivalents	24,899
Cash - July 1, 2017	6,181,124
Cash - June 30, 2018	$ 6,206,023
Reconciliation of operating income to net cash used by operating activities	
Operating Loss	$ (1,419,417)
Adjustments to reconcile operating income to net cash used by operating activities:	
Changes in operating assets and liabilities:	
Due from other funds	(835,673)
Accounts payable	55,110
Unearned revenue	(5,511)
Due to other funds	(500,134)
Estimated liability for open claims incurred but not recorded	(16,862)
Total adjustments	(1,303,070)
Net cash used by operating activities	$ (2,722,487)
Cash and cash equivalents balances at June 30, 2018 consisted of the following:	
Cash in county treasury	$ 6,006,023
Cash and cash equivalents	200,000
Total cash	$ 6,206,023

See accompanying notes to the financial statements.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2018

	Debt Service Fund for Special Tax Bonds	Associated Student Body Funds	Total
Assets			
Cash in county treasury	$ 212,770	$ -	$ 212,770
Cash and cash equivalents	-	1,902,112	1,902,112
Cash with fiscal agent	128,366	-	128,366
Accounts receivable	280	-	280
Inventories	-	824	824
Total Assets	341,416	1,902,936	2,244,352
Liabilities			
Accounts payable	-	70,539	70,539
Funds held in trust	341,416	1,832,397	2,173,813
Total Liabilities	$ 341,416	$ 1,902,936	$ 2,244,352

See accompanying notes to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*, updated to conform to the most current financial and reporting requirements promulgated by the California Department of Education. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The significant accounting policies applicable to the District are described below.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective enhances the fund-group perspective previously required. Fiduciary activities are excluded from the basic financial statements and are reported separately in the fiduciary fund statements. Fiduciary activities are excluded from the basic financial statements and are reported separately in the fiduciary fund statements.

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position, a Statement of Activities, and fund financial statements.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the District as a whole. These statements include the financial activities of the primary government, including governmental activities of proprietary funds. Fiduciary funds are excluded.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District. Depreciation and interest expense have not been allocated to specific functions.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary and proprietary funds are reported by type.

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

Instruction: includes the activities directly dealing with the interaction between teachers and students.

Instruction-Related Services: includes supervision of instruction, instructional library, media and technology, and school site administration.

Pupil Services: includes home to school transportation, food services, and other pupil services.

Ancillary Services: includes activities that are generally designed to provide students with experiences outside the regular school day.

Enterprise Activities: includes activities that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs are financed or recovered primarily through user charges. This function is used with the self-insurance fund.

General Administration: includes data processing services and all other general administration services.

Plant Services: includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

Other Outgo: includes transfers to other agencies.

Debt Service: includes principal and interest payments for long term debt.

The proprietary and fiduciary fund expenses are presented by natural classification.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations, and equities.

The Statement of Revenues, Expenditures and Changes in Fund Balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization. The modified accrual basis of accounting is used for all governmental funds.

Governmental Funds – Major

General Fund: used to account for all financial resources except those required to be accounted for in another fund. The Deferred Maintenance Fund, Special Reserve Fund for Other than Capital Outlay, and the Special Reserve Fund for Postemployment Benefits have been consolidated with the General Fund. These funds no longer meet the special revenue fund definition as they are no longer primarily composed of restricted or committed revenue sources.

Building Fund: used to account for the issuance of general obligation bonds and certificates of participation and the construction, renovation and repair of classrooms and District facilities. Debt service associated with the issuance of certificates of participation is also recorded in the building fund.

Governmental Funds – Non-Major

Special Revenue Funds: used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

Child Development Fund: used to account for resources committed to child development programs.

Cafeteria Fund: used to account for revenues received and expenditures made to operate the District's cafeterias.

Capital Projects Funds: used to account for the financial resources that are restricted, committed or assigned for the acquisition and/or construction of major governmental fixed assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital Facilities Fund: used to account for resources received from residential and commercial developer impact fees.

County School Facilities Fund: used to account for the School Facility Program grant award for modernization and new construction of various school sites.

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

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

Debt Service Funds: used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest, and related costs.

Bond Interest and Redemption Fund: used to account for the payment of principal and interest on general obligation debt.

Proprietary Funds

Internal Service Fund: used to account for services rendered on a cost-reimbursement basis within the District. The District operates a self–insured dental program and a self–insured workers' compensation program that is accounted for in the internal service fund.

Fiduciary Funds

Debt Service Fund for Special Tax Bonds: used to account for the accumulation of resources for the payment of the principal and interest on the special tax bonds issued by the 2005–1 CFD.

Associated Student Body Fund: used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body. The District operates seven Associated Student Body funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose,

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the county treasury is recorded at cost, which approximates fair value.

Receivables

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible. Per Education Code Section 33128.1, a local education agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

Inventories

Inventory consists of expendable supplies held for consumption. Inventories are stated at cost, on the weighted average basis.

Prepaid Expenses/Expenditures

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the year in which goods or services are consumed.

Capital Assets

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the statement of net position, but are not reported in the fund financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at acquisition value as of the date received. The District maintains a capitalization threshold of $5,000. The District does not own any infrastructure as defined by GASB. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Estimated Lives
Buildings	20–50 years
Site Improvements	15–20 years
Furniture and Equipment and Vehicles	5–20 years

Depreciation expense reported on the government-wide statement of activities excludes direct depreciation expense recorded to functions where applicable.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expenses) until then. These amounts are reported in the government-wide statement of net position.

Deferred Charge on Refunding: A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Outflows – OPEB: results from District contributions to employee plans subsequent to the measurement date of the actuarial valuations for the plans and the difference between expected and actual experience. Deferred outflows – OPEB will be deferred and amortized as detailed in Note 13 to the financial statements.

Deferred Outflows – Pensions: The deferred outflows of resources related to pensions results from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the respective pension and from the effects of actuarially-determined changes to the respective pension plan. Deferred outflow – pensions will be amortized as detailed in Note 14 to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unearned Revenue

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

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave, therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken. However, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-Term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide financial statements. Premiums and discounts on issued debt are deferred and amortized over the life of the obligation using the straight-line method. Debt is reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize debt premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Net Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of CalSTRS and CalPERS plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position by the District that is applicable to a future reporting period. Deferred inflows – pensions results from the effects of actuarially-determined changes to the respective pension plan. These amounts are amortized as detailed in Note 14 to the financial statements.

Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

Fund Balance Classification

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Trustees. These amounts cannot be used for any other purpose unless the District Board of Trustees removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed balances as of June 30, 2018.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assigned: Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Trustees, through a formal action has given authority to assign amounts for a specific purpose that is neither restricted nor committed.

Unassigned: The residual fund balance for the General Fund and all other spendable amounts.

Spending Order Policy

The District considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted net position or fund balance is available.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment functions.

Minimum Fund Balance Policy

The District has adopted a minimum fund balance policy in order to protect against revenue shortfalls and unexpected one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts which represent the minimum recommended reserve consistent with the criteria and standards for fiscal solvency adopted by the State Board of Education. The minimum recommended reserve for a district this size is 3% of budgeted General Fund expenditures and other financing uses.

State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. Second period to annual corrections for local control funding formula and other state apportionments (either positive or negative) are accrued at the end of the fiscal year.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable in two installments on November 1st and February 1st. Unsecured property taxes are payable in one installment on or before August 31st.

Real and personal property tax revenues are reported in the same manner in which the county auditor records and reports actual property tax receipts to the California Department of

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the state in calculating the local control funding formula apportionment. Property taxes for debt service purposes cannot be estimated and have, therefore, not been accrued in the Government-wide financial statements.

On-Behalf Payments

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all school districts in California. The amount of on-behalf payments made for the District has been recorded in the fund financial statements.

Contributed Services

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the District receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines. In addition, the District receives donations of immaterial equipment and supplies which are not recorded upon receipt.

Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from non-operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as food service sales, federal and most state and local grants and contracts, and self-insurance premiums. Non-operating revenues include activities that have the characteristics of non-exchange transactions that are defined as non-operating revenues by GASB.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following potential component units have been included in the District's reporting entity:

The Fullerton Joint Union High School District Education Foundation (the Foundation): The Foundation is a separate not–for–profit corporation. Certificates of participation issued by the Foundation are included as long–term obligations in the Statement of Net Position. Individually prepared financial statements are not prepared for the Foundation.

The Fullerton Joint Union High School District Community Facilities District (the CFD): The CFD's financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units, included in the governmental funds of the District. The

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

accumulation of resources for the payment of principal and interest on the special tax bonds issued by the CFD are included in the Statement of Fiduciary Net Position. Special Tax Bonds issued by the CFD are not included as long-term obligations in the Statement of Net Position, as they are not obligations of the District; see Note 12 (non-obligatory Debt). Individually prepared financial statements are not prepared for the CFD.

The following potential component units have been excluded from the District's reporting entity:

Various PTA, PTO and Booster Clubs: Each of these types of organizations at each of the school sites within the District were evaluated using the three criterions listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO and the Booster Club individually are not significant to the District.

NOTE 2: BUDGETS

By state law, the District's Governing Board must approve a budget no later than July 1, using the Single Adoption Budget process. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with GAAP.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the required supplementary section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

NOTE 3: CASH AND CASH EQUIVALENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has established a policy for custodial risk that follows requirements as set forth in Education Code 41002.5. As of June 30, 2018, $1,813,524 of the District's bank balance of $2,192,055 was exposed to credit risk as follows:

NOTE 3: CASH AND CASH EQUIVALENTS

District's Bank Balance	June 30, 2018
Uninsured and collateral held by pledging bank's trust department not in the District's name.	$ 1,813,524

Cash in County

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Orange County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are carried at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2018 is measured at 99.582% of amortized cost. The District's deposits in the fund are considered to be highly liquid.

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635, and 53648. The county is restricted to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the Country Treasurer follows. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the County of Orange Auditor-Controller's Office, Hall of Finance and Records, 12 Civic Center Plaza, Room 200, Santa Ana, California, 92702.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018 consists of the following:

Accounts Receivable	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Fund	Agency Funds
Federal and state	$ 4,406,188	$ -	$ 68,656	$ 4,474,844	$ -	$ -
Miscellaneous	1,087,534	130,936	43,517	1,261,987	9,265	280
Total accounts receivable	$ 5,493,722	$ 130,936	$ 112,173	$ 5,736,831	$ 9,265	$ 280

NOTE 5: INTERFUND TRANSACTIONS

Interfund activity has been eliminated in the Government-wide statements. The following balances and transactions are reported in the fund financial statements.

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2018 are temporary loans and are detailed as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	$ 170,106	$ 2,660,048
Building Fund	3,572	
Non-Major Governmental Funds:		
Child Development Fund	36	29,254
Cafeteria Fund	189	140,852
Capital Facilities Fund	24,880	3,141
Capital Project Fund for Blended Component Units		24,880
Proprietary Funds:		
Internal Service	2,659,392	
Total	$ 2,858,175	$ 2,858,175

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Intra-fund activity has been eliminated.

Interfund transfers for the 2017-18 fiscal year are as follows:

NOTE 5: INTERFUND TRANSACTIONS

Transfer from the General Fund to the Child Development Fund to cover Cal-Safe student support program costs	$	320,746
Transfer from the General Fund to the Building Fund for reimbursement of expenditures		15,100
Transfer from the General Fund to the Special Reserve Fund for Capital Outlay Projects to cover costs		650,000
Transfer from the General Fund to the Self-Insurance fund to fund normal expenditure costs		2,659,343
Transfer from the Capital Facilties Fund to the Building Fund for reimbursement of expenditures		4,875
Transfer from the Debt Service Agency Fund for Special Tax Bonds to the Capital Projects Fund For Blended Component Units to cover administrative costs		20,000
Total	$	3,670,064

NOTE 6: FUND BALANCES

The following amounts were nonspendable, restricted, committed, assigned or unassigned as shown below:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:				
Cash in revolving fund	$ 50,000	$ -	$ 10,712	$ 60,712
Inventories	61,567	-	29,297	90,864
Prepaid expenditures	-	-	-	-
Total nonspendable	111,567	-	40,009	151,576
Restricted:				
Legally restricted programs	6,659,117	-	-	6,659,117
Child nutrition program	-	-	1,677,546	1,677,546
Debt service	-	-	13,538,232	13,538,232
Capital projects	-	69,218,244	4,100,552	73,318,796
Total restricted	6,659,117	69,218,244	19,316,330	95,193,691
Assigned:				
Deferred maintenance program	152,987	-	-	152,987
Postemployment benefits	8,135,793	-	-	8,135,793
Other assignments	7,606,567	-	1,906	7,608,473
Total assigned	15,895,347	-	1,906	15,897,253
Unassigned:				
Economic uncertainties	4,794,715	-	-	4,794,715
Unassigned	32,120,249	-	-	32,120,249
Total unassigned	36,914,964	-	-	36,914,964
Total fund balance	$ 59,580,995	$ 69,218,244	$ 19,358,245	$ 148,157,484

NOTE 7: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

Capital asset activity for the year ended June 30, 2018 is shown below.

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 3,485,921	$ -	$ -	$ 3,485,921
Construction in progress	14,578,207	45,884,575	(16,215,346)	44,247,436
Total capital assets not being depreciated	18,064,128	45,884,575	(16,215,346)	47,733,357
Capital assets being depreciated:				
Site improvements	44,471,126	-	-	44,471,126
Buildings	180,317,964	14,026,788	-	194,344,752
Equipment	17,700,935	3,841,781	(1,459,491)	20,083,225
Total capital assets being depreciated	242,490,025	17,868,569	(1,459,491)	258,899,103
Less accumulated depreciation for:				
Site improvements	(6,530,618)	(414,680)	-	(6,945,298)
Buildings	(58,905,500)	(4,102,900)	-	(63,008,400)
Equipment	(14,142,294)	(610,075)	1,230,839	(13,521,530)
Total accumulated depreciation	(79,578,412)	(5,127,655)	1,230,839	(83,475,228)
Depreciable assets, net	162,911,613	12,740,914	(228,652)	175,423,875
Governmental activities capital assets, net	$ 180,975,741	$ 58,625,489	$ (16,443,998)	$ 223,157,232

NOTE 8: LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2018 is shown below.

	Balance July 1, 2017 *	Additions	Reductions	Balance June 30, 2018	Amount Due in One Year
Capital leases	$ 114,010	$ -	$ 35,514	$ 78,496	$ 35,948
Certificates of participation (COP)	19,920,000	-	625,000	19,295,000	645,000
Unamortized COP premium	1,859,780	-	92,989	1,766,791	-
General obligation bonds	128,245,000	48,000,000	6,580,000	169,665,000	7,200,000
Unamortized bond premium	9,366,271	3,504,461	604,959	12,265,773	-
Compensated absences	1,270,527	77,310	-	1,347,837	-
Postemployment healthcare benefits	51,314,690	3,093,823		54,408,513	-
Net pension liability	132,698,521	19,413,222	-	152,111,743	-
Early retirement incentive	823,710	-	274,570	549,140	274,570
Total	$ 345,612,509	$ 74,088,816	$ 8,213,032	$ 411,488,293	$ 8,155,518

* The July 1, 2017 balance has been restated by $33,755,413 for the cumulative effect of the adoption of Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This includes the District's Postemployment Medical Benefits Plan and the Medicare Premium Payment Program. See note 18.

NOTE 8: LONG-TERM DEBT – SCHEDULE OF CHANGES

Liabilities are liquidated by the General Fund for governmental activities, including capital leases, compensated absences, and early retirement benefits. Postemployment healthcare benefits and net pension liabilities are liquidated through contributions from the funds reporting salaries. General obligation debt is liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund. The certificates of participation are liquidated through redevelopment property tax funds.

NOTE 9: LEASES

Capital Leases

The District leases equipment valued at approximately $178,000 under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payment
2019	$ 36,708
2020	36,708
2021	6,167
Total	79,583
Less amount representing interest	(1,087)
Present value of net minimum lease payments	$ 78,496

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

NOTE 10: CERTIFICATES OF PARTICIPATION

On September 1, 2015, the Foundation issued $20,525,000 of Certificates of Participation (the 2015 Certificates). The proceeds of the 2015 Certificates were used to advance refund outstanding Certificates of Participation associated with the issuance of debt in March 15, 2007 (the 20007 Certificates). The proceeds of the 2015 Certificates, including a premium of $2,945,748 and net of issuance and other costs, were deposited to an escrow fund. The principal balance of the 2007 Certificates of $22,255,000 and interest was redeemed in full on September 1, 2017 by the refunding escrow agent.

The premium received on the 2015 Certificates is included in the net carrying balance of the debt and is amortized using the straight-line method over the life of the debt. The difference between the reacquisition price and the net carrying amount of the 2007 Certificates is deferred and amortized as a component of interest expense using the straight-line method over the life of the new debt. The payment to the refunding escrow agent exceeded the existing carrying value of the

NOTE 10: CERTIFICATES OF PARTICIPATION

refunded debt by $1,855,139. Amortization of $84,324 was recognized during the 2017-18 year.

Lease payments are required to be deposited into a lease payment fund maintained by the trustee. Interest is payable on March 1 and September 1 of each year commencing March 1, 2016; principal payments are payable on September 1 of each year commencing September 1, 2016 with final maturity on September 1, 2036. Interest rates range from 3.00% to 5.00%. Payments to the trustee will be made by the District from redevelopment funds.

Year Ending June 30,	Principal	Interest
2019	$ 645,000	$ 867,475
2020	670,000	841,175
2021	705,000	810,150
2022	740,000	774,025
2023	780,000	736,025
2024-2028	4,530,000	3,039,375
2029-2033	5,730,000	1,835,788
2034-2037	5,495,000	557,075
Total	$ 19,295,000	$ 9,461,088

NOTE 11: GENERAL OBLIGATION BONDS

Measure AA

On November 7, 2000, the voters approved the issuance of bonds, not to exceed $67,940,000, to repair/upgrade and improve all District comprehensive schools acquire/construct additional classrooms, science/computer labs, restrooms, libraries and school facilities to alleviate overcrowding and accommodate enrollment growth, address building safety/health issues.

2002 Series A

On September 4, 2002, the District offered for sale the 2002 General Obligation Bonds, Series A of $37,997,910 of capital appreciation bonds. Prior to the maturity date, the bonds will accrete interest on the principal component. Proceeds from the 2010 General Obligation Refunding Bonds were used to advance refund certain maturities of the bonds.

2010 General Obligation Refunding Bonds

On September 1, 2010, the District offered for sale $29,120,000 General Obligation Refunding Bonds. The bonds were issued to refund a portion of the District's 2002 General Obligation Bonds, Series A. A premium received of $2,938,643 is included in the net carrying balance of the debt and is amortized using the straight-line method over the life of the debt.

NOTE 11: GENERAL OBLIGATION BONDS

2013 General Obligation Refunding Bonds

On May 14, 2013, the District offered for sale $21,700,000 General Obligation Refunding Bonds. The bonds were issued to advance refund certain outstanding general obligation bonds of the District. A premium received of $3,986,816 is included in the net carrying balance of the debt and is amortized using the straight-line method over the life of the debt.

Measure I

On November 4, 2014, the voters approved the issuance of bonds, not to exceed $175,000,000, to upgrade classrooms, science labs, sites, facilities; repair roofs, floors, plumbing, heating, ventilation, and electrical systems; improve student safety and security; upgrade career training facilities and technology infrastructure.

2015 Series A

On October 28, 2015 the District issued $42,500,000 of 2014 General Obligation Bonds, Series A. A premium received of $2,557,423 is included in the net carrying balance of the debt and is amortized using the straight-line method over the life of the debt.

2017 Series B

On April 26, 2017 the District issued $40,000,000 of 2014 General Obligation Bonds, Series B. A premium received of $2,198,565 is included in the net carrying balance of the debt and is amortized using the straight-line method over the life of the debt.

2018 Series C

On April 25, 2018 the District issued $48,000,000 of 2018 General Obligation Bonds, Series C. A premium received of $3,504,461 is included in the net carrying balance of the debt and is amortized using the straight-line method over the life of the debt.

The outstanding general obligation bonded debt of the District at June 30, 2018 is:

NOTE 11: GENERAL OBLIGATION BONDS

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2018
Measure AA:					
2010 Refunding	9/1/2010	8/1/2027	2.0-3.8	$ 29,120,000	$ 23,375,000
2013 Refunding	5/14/2013	8/1/2029	2.0-5.0	21,700,000	20,080,000
Total Measure AA				50,820,000	43,455,000
Measure I:					
Series A	10/28/2015	8/1/2040	2.5-5.0	42,500,000	38,210,000
Series B	4/26/2017	8/1/2041	3.3-5.0	40,000,000	40,000,000
Series C	4/25/2018	8/1/2042	3.4-5.0	48,000,000	48,000,000
Total Measure I				130,500,000	126,210,000
Total				$ 181,320,000	$ 169,665,000

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest
2019	$ 7,200,000	$ 6,369,861
2020	6,365,000	6,507,250
2021	5,995,000	6,235,950
2022	5,550,000	5,993,150
2023	4,615,000	5,773,125
2024-2028	30,880,000	24,999,782
2029-2033	30,125,000	17,361,956
2034-2038	33,975,000	11,556,587
2039-2043	44,960,000	4,078,651
Total	$ 169,665,000	$ 88,876,312

NOTE 12: NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances by the Community Facility District, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of the $1,385,000 as of June 30, 2018, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS

The District administers a single-employer defined benefit, post-employment medical benefit plan for qualified employees. In addition some qualified certificated employees are participant in the Medicare Premium Payment Program, a cost-sharing defined benefit program administered through the California State Teachers' Retirement System (CalSTRS).

As of June 30, 2018, the District's total liability for post-employment healthcare benefits consisted of the following:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Benefits Plan	$ 53,575,511	$ 550,920	$ -	$ 4,638,160
Medicare Premium Payment Program	833,002	-	-	(36,011)
	$ 54,408,513	$ 550,920	$ -	$ 4,602,149

The details of the plans are as follows:

Postemployment Healthcare Benefits Plan

Plan Description and Eligibility

The Plan provides health, dental and vision insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 76 retirees and beneficiaries currently receiving benefits, and 1052 active Plan members. Benefit provisions are established through negotiations between the District and the bargaining unions representing employees and are renegotiated each bargaining period. The Plan does not issue a separate financial report.

Funding Policy

The District currently finances benefits on a pay-as-you-go basis. The District contributes 100 percent of the cost equivalent to the premium of HMO single coverage For the year ended June 30, 2018, the District contributed $1,269,355 to the plan.

Total OPEB Liability

At June 30, 2018 the total OPEB liability was $53,575,511.

NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS

Actuarial Methods and Assumptions

Actuarial assumptions

The total OPEB liability was determined based on an actuarial valuation as of June 30, 2017. The following actuarial assumptions used in the June 30, 2017 valuation, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry Age Normal
Salary increases	2.75%
Healthcare costs trend rate	7.00%

Mortality assumptions are based on the 2015 CalSTRS mortality experience study for certificated employee types and the 2017 CalPERS mortality experience study for the classified employee types.

Actuarial assumptions used in the June 30, 2017 valuation were based on a review of plan experience turnover tables 2015 CalSTRS termination Rates for certificated employee types and 2017 CalPERS termination rates for classified employee types.

Discount Rate

The discount rate used to measure the OPEB liability was 2.98%. The projection of cash flows used to determine the discount rate was based on the 20 year municipal bond yield, specifically the S&P Municipal Bond 20 Year High Grade Rate Index. There are no plan assets.

Changes in the Total OPEB Liability

	Total OPEB Liablity
Balance at June 30, 2017	$ 50,388,008
Service cost	2,928,786
Interest cost	1,637,733
Changes in assumptions	622,561
Benefit payments	(2,001,577)
Balance at June 30, 2018	$ 53,575,511

NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS

Sensitivity

The following present the District's OPEB liability calculated using the discount rate of 2.98% as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Discount rate	Total OPEB Liability
1% decrease (1.98%)	$ 57,894,477
Current discount rate (2.98%)	53,575,511
1% increase (3.98%)	49,468,673

The following present the District's OPEB liability calculated using the healthcare cost trend rate of 7.0%, as well as what the OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher then the current rate:

Healthcare trend rate	Total OPEB Liability
1% decrease (6%)	$ 47,400,660
Current healthcare trend rate (7.00%)	53,575,511
1% increase (5%)	60,849,800

Amortization of Deferred Outflows of Resources

The deferred outflows of resources related to the OPEB liability resulted from assumption changes and are amortized over the average working lifetime of active and inactive participants which was calculated at 8.69 years.

Year Ending June 30,	Deferred Outflows of Resources
2019	$ 71,641
2020	71,641
2021	71,641
2022	71,641
2023	71,641
Thereafter	192,715
	$ 550,920

NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS

Medicare Premium Payment Program (MPP)

Plan Description and Eligibility

The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to California state statute. CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF). The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible California full-time and part-time public school teachers from pre-kindergarten through community college who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A.

The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis. Medicare Part A premium rates for fiscal year 2016 -17 were $411 for the period 7/1/16 through 12/13/16 and $413 for the period January 1, 2017 through June 30, 2017. Part A and B late enrollment penalties are generally 10 percent of the respective monthly premiums rates; however, the fees charged to individual participants may be higher based on certain income thresholds.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program. For the years ending June 30, 2017 and 2016, 6,271 and 6,588 retirees participated in the MPP Program, respectively. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be pre-determined.

Funding Policy

The MPP Program is funded on a pay-as-you go basis from a portion of monthly employer contributions. In accordance with California Education Code, contributions that would otherwise be credited to the CalSTRS defined benefit pension program (STRP) each month are instead credited to the MPP Program to fund monthly program and administrative costs. These contributions are generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds remaining within the MPP Program as of June 30, 2017 were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program. Total aggregate employer contributions of all participating employers to the MPP Program for fiscal year 2016-17 were $29.1 million.

NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS

Because amounts credited to the MPP Program are deducted from the employer's regular STRP contributions, there are no contribution rates specific to the MPP Plan. Employer contributions to the STRP are calculated by CalSTRS based on creditable compensation for active members reported by employers. Employer contributions are accrued when required by statute, and the employer has made a formal commitment to provide the contributions. Cash remittances of contributions due are received from employers prior to their reports of creditable earnings by member. As a result, CalSTRS accrues employer contributions due monthly using current contribution rates and estimates based on historical creditable compensation. CalSTRS recognizes MPP Program expenses when due and payable.

Net OPEB Liability

As of June 30, 2017, the District reported a net OPEB liability for its proportionate share of the MPP total OPEB liability, fiduciary net position and net OPEB liability as follows:

Proportionate Share of OPEB Liability	Balance June 30, 2017
Total OPEB liability	$ 833,084
Plan fiduciary net position	(82)
District's net OPEB liability	$ 833,002

Given the nature of the MPP Program, not all employers have eligible participants. The program is also closed to any members retired after July 1, 2012. As such, the District elected to calculate their proportionate share based on Schedule D of the audited proportionate share schedules of the MPP Program. This schedule presents current year Medicare Part A premiums and Medicare Part A and B surcharges paid or payable to the Centers for Medicare and Medicaid Services (CMS). Medicare premiums and surcharges paid or payable to CMS are aggregated for eligible program beneficiaries based on their last contributing employer prior to retirement to establish the basis of the proportionate share calculation. At June 30, 2017, the District's proportion was 0.143%.

Actuarial assumptions

The June 30, 2017 total OPEB liability for the MPP Program was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017 using the assumptions listed in the following table:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Experience Study	July 1, 2010 through June 30, 2015

NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS

Investment Rate of Return	3.58%
Medicare Part A Premium Costs Trend Rate	3.70%
Medicare Part B Premium Costs Trend Rate	4.10%

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (for example, Medicare premiums) and assumptions about the probability of occurrence of events far into the future (for example, mortality, disabilities and retirees eligible for the program). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective and take into account the premiums and surcharges paid after termination of employment until the death of the employee. In many cases, actuarial calculations reflect several decades of payments after termination of employment.

Discount Rate

NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

Sensitivity

The following table presents the net OPEB liability of employers as of June 30, 2017, using the current discount rate as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

Discount rate	Net OPEB Liability
1% decrease (2.58%)	$ 746,246
Current discount rate (3.58%)	833,002
1% increase (4.58%)	922,191

Medicare Costs Trend Rate

The June 30, 2016, valuation uses the 2017 Medicare Part A and Part B premiums as the basis for future premium calculations. Future premiums are assumed to increase with a medical trend rate that varies by year. The Part A trend is approximately equivalent to assuming a fixed 3.7 percent increase each year. The Part B trend is approximately equivalent to assuming a fixed 4.1 percent increase each year.

The following table presents as of June 30, 2017, the net OPEB liability of employers using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are 1 percent lower and 1 percent higher than the current rate:

Healthcare trend rate	Net OPEB Liability
1% decrease (2.7% Part A, 3.1% Part B)	$ 752,745
Current healthcare trend rate (3.7% Part A, 4.1% Part B)	833,002
1% increase (4.7% Part A, 5.1% Part B)	912,458

NOTE 13: POSTEMPLOYMENT HEALTHCARE BENEFITS

Amortization of Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources are the consumption of net position by CalSTRS that is applicable to future reporting periods. As the MPP Program is a retiree only OPEB plan with no average remaining service life, other than differences between projected and actual investment earnings, deferred inflows and outflows of resources are recognized in OPEB expense in the current period. The net deferred inflows and outflows relating to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. As of June 30, 2017, the deferred outflows of resources and deferred inflows of resources related to the MPP Program are not material and have not been recognized in these financial statements.

MPP Program Net OPEB Liability

Detailed information about the MPP Program net OPEB liability is available in a separate financial report available on the CalSTRS website. Copies of the CalSTRS annual financial report may also be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

NOTE 14: EMPLOYEE RETIREMENT PLANS

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

As of June 30, 2018, the District's net pension liabilities, deferred outflows of resources, deferred inflows of resources and pension expense for each of the retirement plans are as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS (STRP)	$ 116,524,800	$ 31,923,856	$ 13,520,508	$ 9,742,330
CalPERS (Schools Pool Plan)	35,586,943	10,831,632	1,470,593	5,386,363
Total	$ 152,111,743	$ 42,755,488	$ 14,991,101	$ 15,128,693

The details of each plan are as follows:

NOTE 14: EMPLOYEE RETIREMENT PLANS

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes to the STRP Defined Benefit Program and STRP Defined Benefit Supplement Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

Provisions and Benefits	STRP Defined Benefit Program and Supplement Program	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

NOTE 14: EMPLOYEE RETIREMENT PLANS

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2018 are presented above and the total District contributions were $9,905,356.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

Proportionate Share of Net Pension Liability	Balance June 30, 2018
District proportionate share of net pension liability	$ 116,524,800
State's proportionate share of the net pension liability associated with the District	68,935,649
Total	$ 185,460,449

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2017, the District's proportion was 0.1260%.

For the year ended June 30, 2018, the District recognized pension expense of $9,742,330. In addition, the District recognized revenue and corresponding expense of $6,939,035 for support provided by the state. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 14: EMPLOYEE RETIREMENT PLANS

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 9,905,356	$ -
Differences between expected and actual experience	430,920	2,032,380
Changes of assumptions	21,587,580	-
Changes in proportion	-	8,384,748
Net differences between projected and actual earnings on pension plan investments	-	3,103,380
Total	$ 31,923,856	$ 13,520,508

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2017 measurement date is seven years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed six years.

The remaining amount will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2019	$ (1,350,941)
2020	3,181,279
2021	1,510,519
2022	(1,528,179)
2023	3,233,920
2024	3,451,394
Total	$ 8,497,992

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to

NOTE 14: EMPLOYEE RETIREMENT PLANS

June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.10%
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant and adopted by the CalSTRS Board in February 2017. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2017, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Fixed income	12%	0.30%
Absolute return/risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

NOTE 14: EMPLOYEE RETIREMENT PLANS

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.10%)	$ 171,095,400
Current discount rate (7.10%)	116,524,800
1% increase (8.10%)	72,237,060

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2017, CalSTRS completed an experience study for the period starting July 1, 2010 and ending June 30, 2015. The experience study was adopted by the CalSTRS Board in February 2017. As a result of the study, certain assumptions used in determining the net pension liability of the STRP changed, including the discount rate, price inflation, wage growth, mortality assumptions and the mortality tables used in the actuarial valuation of the net pension liability. The changes to the assumptions as a result of the experience study follow:

Assumptions:	As of June 30, 2017	As of June 30, 2016
Investment Rate of Return	7.10%	7.60%
Consumer Price Inflation	2.75%	3.00%
Wage Growth	3.50%	3.75%

NOTE 14: EMPLOYEE RETIREMENT PLANS

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

NOTE 14: EMPLOYEE RETIREMENT PLANS

Provisions and Benefits	Schools Pool Plan (CalPERS)	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018 are as presented above and the total District contributions were $2,958,788.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $35,586,943. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.1491%.

For the year ended June 30, 2018, the District recognized pension expense of $5,386,363. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 14: EMPLOYEE RETIREMENT PLANS

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,958,788	$ -
Differences between expected and actual experience	1,274,933	-
Changes of assumptions	5,198,033	418,992
Changes in proportion	168,813	1,051,601
Net differences between projected and actual earnings on pension plan investments	1,231,065	-
Total	$ 10,831,632	$ 1,470,593

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Schools Pool Plan for the June 30, 2017 measurement date is 4.0 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 3.0 years.

The remaining amount will be recognized in pension expense as follows:

Year Ending June 30,	Amortization
2019	$ 1,375,602
2020	3,195,448
2021	2,505,331
2022	(674,130)
Total	$ 6,402,251

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016

NOTE 14: EMPLOYEE RETIREMENT PLANS

used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvements using Scale BB published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.38%
Fixed income	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and forestland	3%	5.39%
Liquidity	2%	-0.90%

NOTE 14: EMPLOYEE RETIREMENT PLANS

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. . The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Schools Pool Plan fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.15%)	$ 52,359,798
Current discount rate (7.15%)	35,586,943
1% increase (8.15%)	21,672,456

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2017, the financial reporting discount rate for the Schools Pool Plan was lowered from 7.65% to 7.15%. Deferred outflows of resources for changes of assumptions represents the unamortized portion of this assumption change.

Plan Fiduciary Net Position

Detailed information about CalPERS Schools Pool Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

NOTE 15: EARLY RETIREE INCENTIVE

In 2015-16, the District elected to provide a voluntary early retirement program. Certificated Non-Management employees who were employed by the District as of May 3, 2016 and had 5 years of District service who were eligible to retire under STRS (age 55 with 5 years of STRS service or age 50 with 30 years of STRS service) as of June 30, 2016 were eligible for the incentive. 24 qualified employees elected to participate in the incentive by retiring after completion of the 2015-16 school year.

NOTE 15: EARLY RETIREE INCENTIVE

The total contributions of $1,372,850 will be made in five equal annual installments of $274,570 beginning July 20, 2016 and ending July 19, 2020. The first payment was made in June 2016, in advance of the initial installment date. The remaining balance at June 30, 2018 is $549,140.

NOTE 16: INTERNAL SERVICE FUND

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

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

The self–insurance activity for the dental program and the excess insurance, workers' compensation/employers' liability has been recorded in the Internal Service Fund. There were no claims settled in 2018 which exceeded the excess insurance amount. Changes in the claims liability for workers' compensation in fiscal years 2016–17 were as follows:

Reported Liability	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Worker's compensation	$ 5,200,272	$ 1,005,120	$ 1,127,461	$ 5,077,931
Dental program	-	1,583,475	1,477,996	105,479
	$ 5,200,272	$ 2,588,595	$ 2,605,457	$ 5,183,410

NOTE 17: JOINT POWERS AGREEMENTS

The District participates in three joint powers agreement (JPA) entities, the Alliance of Schools for Cooperative Insurance Programs (ASCIP), the Schools' Excess Liability Fund (SELF), and the Self-Insured Schools of California (SISC) public risk pools. The District also participates in a joint venture under a joint power agreement with North Orange County Regional Occupational program (NOCROP).

NOTE 17: JOINT POWERS AGREEMENTS

Alliance of Schools for Cooperative Insurance Programs (ASCIP) arranges for and provides property and liability insurance for its member school districts. The District pays a premium commensurate with the level of coverage requested. ASCIP is governed by a board consisting of 25 elected members and alternatives.

The Schools' Excess Liability Fund (SELF) arranges for and provides a self-funded excess liability fund for approximately 1,100 public educational agencies. SELF is governed by a board of 32 elected voting members, elected alternates and two ex-official members. The board controls the operations of SELF, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual contribution based upon that calculated by SELF's Board of Directors and shares surpluses and deficits proportionately to its participation in SELF.

Self-Insured Schools of California (SISC) provides health and welfare benefits for its member school districts.

North Orange County Regional Occupational Program (NOCROP) provides occupational training for high school students and adults residing in the member districts.

Each JPA is governed by a board consisting of representatives from each member district. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing boards. In addition, each JPA is independently accountable for its fiscal matters. Member districts share surpluses and deficits proportionately to their participation in the JPA. Separate financial statements for each JPA may be obtained from the respective entity.
The relationships between the District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes.

Condensed financial information for the year ended June 30, 2018 is as follows:

JPA Condensed Financial Information	ASCIP 6/30/2017 (Audited)	SELF 6/30/2017 (Audited)	SISC 9/30/2017 (Audited)	NOCROP 6/30/2018 (Unaudited)
Total assets and deferred outflows	$ 434,487,957	$ 126,580,131	$ 540,842,328	$ 19,867,903
Total liabilities and deferred inflows	240,372,345	104,151,104	173,862,442	987,497
Fund balance	$ 194,115,612	$ 22,429,027	$ 366,979,886	$ 18,880,406
Total revenues	$ 275,655,560	$ 14,641,179	$ 2,089,274,509	$ 17,246,880
Total expenditures	266,354,819	13,746,773	1,984,882,354	17,125,030
Change in fund balance	$ 9,300,741	$ 894,406	$ 104,392,155	$ 121,850

NOTE 18: CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The beginning net position of the basic financial statements has been restated by a reduction of $33,755,413 in the Statement of Activities to recognize the beginning balance of the OPEB liability resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*

NOTE 19: COMMITMENTS AND CONTINGENCIES

Litigation

At time, the District is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs, which are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

County School Facilities Funds

The District is currently involved in modernization projects funded through the State School Facilities Program. These projects are subject to future audits by the State, which may result in other adjustments to the fund.

Purchase Commitments

As of June 30, 2018, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $64 million. Projects will be funded through Bond Proceeds and redevelopment pass-through distributions.

NOTE 20: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2018 that have future effective dates. The following pronouncements will impact the District’s financial reporting; however, the impact of the implementation of each of the statements below to the District’s financial statements has not been assessed at this time.

NOTE 20: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

Statement No. 83 – Certain Asset Retirement Obligations

Issued in November 2016, this statement addresses accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of tangible capital assets. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources. The statement is effective for the fiscal year 2018-19.

Statement No. 84 – Fiduciary Activities

Issued in January 2017, this statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activities and (2) the beneficiary with whom a fiduciary relationship exists. The statement is effective for the fiscal year 2019-20.

Statement No. 87 – Leases

This statement was issued in June 2017 and addresses accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The statement is effective for the fiscal year 2020-21.

Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Replacements*

The statement defines debt for purposes of disclosure in the notes to the financial statements. The statement requires additional disclosures related to debt obligations, including direct borrowings and direct placements. Amounts of unused lines of credit, assets pledged as collateral for debt and terms specified in debt agreements related to significant 1) events or default with finance-related consequences; 2) termination events with finance-related consequences and) subjective acceleration clauses are also required to be disclosed. The statement is effective for the fiscal year 2018-19.

NOTE 20: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

Statement No. 90 – *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*

The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 percent equity interest is acquired in that component unit. The statement is effective for the fiscal year 2018-19.

REQUIRED SUPPLEMENTARY INFORMATION

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2018

	Budgetary Amounts - General Fund		Actual Amounts	(a) Fund Basis to GAAP	Actual Amounts
	Original	Final	General Fund		GAAP Basis
Revenues					
Local control funding formula sources:					
State apportionments	$ 78,720,383	$ 58,133,211	$ 58,179,413	$ 1,000,000	$ 59,179,413
Local sources	50,531,752	71,106,856	71,106,853	-	71,106,853
Total local control funding formula sources:	129,252,135	129,240,067	129,286,266	1,000,000	130,286,266
Federal sources	5,440,639	7,305,108	6,463,367	-	6,463,367
Other state sources	9,610,016	17,583,904	15,078,638	-	15,078,638
Other local sources	8,871,421	13,070,606	14,401,400	144,486	14,545,886
Total Revenues	153,174,211	167,199,685	165,229,671	1,144,486	166,374,157
Expenditures					
Certificated salaries	68,039,181	68,926,390	68,892,290	-	68,892,290
Classified salaries	20,278,895	20,360,510	20,360,510	-	20,360,510
Employee benefits	41,055,422	38,289,122	38,250,819	-	38,250,819
Books and supplies	11,069,853	11,692,322	6,937,289	803,283	7,740,572
Services and other operating expenditures	13,184,538	14,513,427	14,025,462	293,680	14,319,142
Capital outlay	1,262,372	1,940,413	1,687,746	-	1,687,746
Other outgo and indirect costs	7,081,429	5,987,811	5,987,811	-	5,987,811
Debt service	36,708	36,708	36,708	-	36,708
Total Expenditures	162,008,398	161,746,704	156,178,635	1,096,963	157,275,598
Excess of revenues over expenditures	(8,834,187)	5,452,981	9,051,036	47,523	9,098,559
Other Financing Sources (Uses)					
Interfund transfers in (b)	805,177	805,177	805,177	(805,177)	-
Interfund transfers out	(350,000)	(5,017,755)	(3,645,189)	-	(3,645,189)
Total Other Financing Sources (Uses)	455,177	(4,212,578)	(2,840,012)	(805,177)	(3,645,189)
Net change in fund balances	$ (8,379,010)	$ 1,240,403	6,211,024	(757,654)	5,453,370
Fund Balance - Beginning of Year			42,233,001	11,894,624	54,127,625
Fund Balance - End of Year			$ 48,444,025	$ 11,136,970	$ 59,580,995

(a) amounts presented are the result of the District including activity of the Deferred Maintenance Fund, Special Reserve Fund for Other than Capital Outlay, and the Special Reserve Fund for Postemployment Benefits Fund.

(b) Interfund activity between the General Fund and the Special Reserve Fund for Other than Capital Outlay is eliminated.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS – RETIREE BENEFITS PLAN
For the Fiscal Year Ended June 30, 2018

Total OPEB Liability	2018
Service cost	$ 2,928,786
Interest	1,637,733
Changes in assumptions	622,561
Benefit Payments	(2,001,577)
Net Change in Total OPEB Liability	3,187,503
Total OPEB Liability - beginning	50,388,008
Total OPEB Liability - ending	$ 53,575,511
Covered payroll	$80,637,172
Total OPEB liability as a percentage of covered-employee payroll	66.44%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS – MEDICARE PREMIUM PAYMENT PLAN
For the Fiscal Year Ended June 30, 2018

Net OPEB Liability - Medicare Premium Payment Program	2018
District's proportion of the net OPEB liability	0.198%
District's proportionate share of the net OPEB liability	833,002
Total	
Covered-employee payroll	-
Net OPEB liability (asset) as a percentage of covered-employee payroll	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

Plan participants are limited to retirees; therefore covered-employee payroll is not applicable.

See the accompanying notes to the required supplementary information.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2018

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018
District's proportion of the net pension liability (assets)	0.1450%	0.1280%	0.1280%	0.1260%
District's proportionate share of the net pension liability (asset)	$ 84,733,650	$ 86,174,720	$ 103,527,680	$ 116,524,800
State's proportionate share of the net pension liability (asset) associated with the District	51,166,350	45,576,805	58,945,139	68,935,649
Total	$ 135,900,000	$ 131,751,525	$ 162,472,819	$ 185,460,449
District's covered payroll	$ 61,200,000	$ 61,700,000	$ 65,500,000	$ 67,800,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	138%	140%	158%	172%
Plan fiduciary net position as a percentage of the total pension liability	77%	74%	70%	69%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2018

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018
District's proportion of the net pension liability (assets)	0.1665%	0.1576%	0.1477%	0.1491%
District's proportionate share of the net pension liability (asset)	$ 1,891,804	$ 23,230,396	$ 29,170,841	$ 35,586,943
District's covered payroll	$ 17,400,000	$ 17,500,000	$ 17,200,000	$ 18,800,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	109%	133%	170%	189%
Plan fiduciary net position as a percentage of the total pension liability	83%	79%	74%	72%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2018

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018
Contractually required contribution	$ 5,489,463	$ 7,032,883	$ 8,530,519	$ 9,905,356
Contributions in relation to the contractually required contribution	5,489,463	7,032,883	8,530,519	9,905,356
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 61,700,000	$ 65,500,000	$ 67,800,000	$ 68,600,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018
Contractually required contribution	$ 2,062,164	$ 2,032,987	$ 2,621,751	$ 2,958,788
Contributions in relation to the contractually required contribution	2,062,164	2,032,987	2,621,751	2,958,788
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 17,500,000	$ 17,200,000	$ 18,800,000	$ 19,100,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Budgetary Comparison For The General Fund

A budgetary comparison is presented for the General Fund. This schedule presents the budget as originally adopted, the revised budget as of the fiscal year-end, actual amounts at fiscal year-end, and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

Schedule of Changes In The Total OPEB Liability and Related Ratios – Retiree Benefits Plan

The schedule is intended to show trends about the changes in the District's actuarially determined liability for postemployment benefits other than pension associated with the District's retiree benefits plan.

Benefit changes – None

Changes of Assumptions - The municipal bond rate at June 30, 2017 was 3.13% and 2.98% at June 30, 2018.

Schedule of Changes in The Net OPEB Liability and Related Ratios – Medicare Premium Payment Plan

The schedule is intended to show trends about the changes in the District's actuarially determined proportionate share of the liability for postemployment benefits other than pension associated with the Medicare Premium Payment Plan.

Schedules of District's Proportionate Share of the Net Pension Liability – STRP and PERS – Schools Plan

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedules of District Contributions – STRP and PERS – Schools Plan

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no excesses of expenditures over appropriations in the General Fund.

SUPPLEMENTARY INFORMATION

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2018

The Fullerton Joint Union High School District (the District) was established in 1893 under the laws of the State of California and consists of an area compromising approximately 55 square miles. The District operates under a locally elected five-member Board form of government and provides educational services to grades 9 – 12 as mandated by the State and/or Federal agencies. The District operates six high schools, one continuation high school, and one alternative high school.

The Board of Education and the District Administrators for the fiscal year ended June 30, 2018 were as follows:

BOARD OF TRUSTEES

Member	Office	Term Expires
Marilyn Buchi	President	November 30, 2018
Robert Singer, Ph.D.	Clerk	November 30, 2018
Joanne Fawley	Member	November 30, 2020
Robert N. Hathaway	Member	November 30, 2018
Andy Montoya	Member	November 30, 2020

DISTRICT ADMINISTRATORS

Scott Scambray, Ed.D.	Superintendent
Ed Atkinson	Assistant Superintendent – Human Services
Joan Velasco	Assistant Superintendent – Business Services
Sylvia Kaufman	Assistant Superintendent - Education and Assessment Services
Jennifer Williams	Executive Director – Administrative Services

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2018

The requirements governing ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the California Department of Education.

ADA statistics reported to the state for the fiscal year ended June 30, 2018 are as follows:

	Revised Second Period	Revised Annual
Grades nine through twelve:		
Regular ADA	13,232	13,176
Extended year special education	16	16
Special education - nonpublic, nonsectarian schools	15	14
Extended year special education - nonpublic, nonsectarian schools	2	2
Total grades nine through twelve ADA	13,265	13,208

See the accompanying notes to the supplementary information.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2018

Grade Level	Minute Requirement	Actual Minutes	Number of Days Traditional Calendar	La Vista High School & La Sierra High School Number of Days(1)	Status
Grade 9	64,800	64,844	180	181	In Compliance
Grade 10	64,800	64,844	180	181	In Compliance
Grade 11	64,800	64,844	180	181	In Compliance
Grade 12	64,800	64,844	180	181	In Compliance

(1) During the 2015-16 school year, the District operated 179 school days at the shared campus for La Vista High School and La Sierra High School for all grade levels, 9-12. Education Code Section 46206 allows for a waiver of the penalty by the State Board of Education if the District subsequently maintains the required 180 days in addition to maintaining the lost day in the subsequent two years. The District obtained a waiver for the penalty and provided the additional days during the 2017 and 2018 fiscal year-end school year.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Department of Agriculture			
Pass-Through Program From The California Department of Education:			
Child Nutrition Cluster:			
Child Nutrition Program-Especially Needy Breakfast	10.555	13391	$ 717,469
Child Nutrition Program-Lunch	10.555	13391	1,442,753
Child Nutrition Program-Snacks	10.555	13391	461,187
Child Nutrition Program-Commodities	10.555	13391	180,267
Subtotal: Child Nutrition Cluster			2,801,676
Child Nutrition Program-Child and Adult Care Food Program	10.558	13389	9,774
Total: United States Department of Agriculture			2,811,450
United States Department of Defense			
Junior Reserve Officer Training Corp (JROTC)	12.000	(1)	744,315
Total: United States Department of Defense			744,315
United States Department of Education			
Pass-Through Program From The North Orange County SELPA:			
Special Education Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,731,755
Basic Local Assistance Entitlement, Part B, Section 611 - Private School	84.027	10115	16,351
Mental Health Services, Part B	84.027A	14468	518,200
Subtotal: Special Education (IDEA) Cluster			2,266,306
Pass-Through Program From The California Department of Education:			
Every Student Succeeds Act:			
Title I, Part A - Low Income and Neglected	84.010	14329	2,382,991
Title II, Part A - Improving Teacher Quality	84.367	14341	400,299
Title III - Limited English Proficiency	84.365	14346	212,534
Career and Technical Education - Secondary	84.048	14894	257,431
Total: United States Department of Education			5,519,561

See the accompanying notes to the supplementary information.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Department of Health and Human Services			
Pass-Through Program From The California Department of Education:			
Medi-Cal Billing Option	93.778	10013	52,318
Total: United States Department of Health and Human Services			52,318
Total Federal Programs			$ 9,127,644
Reconciliation to Federal Revenue			
Total Federal Program Expenditures			$ 9,127,644
Revenues in excess of expenditures related to Federal Entitlements:			
Medi-Cal	93.778		147,173
Total Federal Program Revenue			$ 9,274,817

(1) Pass-Through Entity Identifying Number not readily available or not applicable

See the accompanying notes to the supplementary information.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

	2019 (Budgeted)	2018	2017	2016
Revenue	$ 166,852,681	$ 165,229,671	$ 165,239,695	$ 163,630,703
Other sources and transfers in	805,177	805,177	849,978	983,170
Total revenue and other sources	167,657,858	166,034,848	166,089,673	164,613,873
Expenditures	162,619,479	156,178,635	162,732,407	144,330,730
Other uses and transfers out	962,031	3,645,189	2,799,037	269,450
Total expenditures and other uses	163,581,510	159,823,824	165,531,444	144,600,180
Change in fund balance	4,076,348	6,211,024	558,229	20,013,693
Ending fund balance	$ 52,520,373	$ 48,444,025	$ 42,233,001	$ 41,674,772
Available reserve	$ 38,291,493	$ 36,914,964	$ 27,503,726	$ 22,826,601
Available reserve %	23.5%	23.6%	16.9%	15.8%
ADA	13,255	13,265	13,425	13,637
Total long term debt	$ 403,332,775	$ 411,488,293	$ 311,857,096	$ 247,001,026

The amounts above are those reported as General Fund in the *Annual Financial and Budget Report* and do not include special revenue funds included in the General Fund of the governmental funds' financial statements.

Available reserves are those amounts reserved for economic uncertainty and any other remaining unassigned fund balance from the General Fund. For a District this size, the state recommends a 3% reserve of total General Fund expenditures, transfers out and other uses. The District has met this requirement for all years presented.

The 2019 budget is the original budget adopted on June 19, 2018.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2018

The District is not the granting agency for any Charter Schools.

See the accompanying notes to the supplementary information.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT WITH THE AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

Differences between the fund balances reported on the June 30, 2018 *Annual Financial and Budget Report* and the audited financial statements occurred in the following fund:

	General Fund
June 30, 2018 Annual Financial and Budget Report Fund Balance	$ 46,721,556
Adjustments and Reclassifications:	
Adjustment to correct the LCFF accrual	1,722,469
June 30, 2018 Audited Fund Balance	$ 48,444,025

See the accompanying notes to the supplementary information.

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of 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 not met or exceeded its target funding and 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.

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District did not use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Financial Trends and Analysis

The *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule be prepared showing financial trends of the general fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if the District has met the recommended available reserve percentages.

Schedule of Charter Schools

The *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the annual Financial and Budget Report form to the audited financial statements

OPTIONAL SUPPLEMENTARY INFORMATION

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County Schools Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets								
Cash in county treasury	$ 30,818	$ 1,874,537	$ 2,590,698	$ 239,040	$ 1,306,059	$ 26,609	$ 13,511,297	$ 19,579,058
Cash in revolving fund	-	10,712	-	-	-	-	-	10,712
Cash awaiting deposit	-	956	-	-	-	-	-	956
Accounts receivable	56	71,992	11,659	340	1,155	36	26,935	112,173
Due from other funds	36	189	24,880	-	-	-	-	25,105
Inventories	-	29,297	-	-	-	-	-	29,297
Total Assets	$ 30,910	$ 1,987,683	$ 2,627,237	$ 239,380	$ 1,307,214	$ 26,645	$ 13,538,232	$ 19,757,301
Liabilities and Fund Balances								
Liabilities								
Accounts payable	$ 1,656	$ 83,844	$ 69,343	$ 751	$ 44	$ 1,765	$ -	$ 157,403
Due to other funds	29,254	140,852	3,141	-	-	24,880	-	198,127
Unearned revenue	-	43,526	-	-	-	-	-	43,526
Total Liabilities	30,910	268,222	72,484	751	44	26,645	-	399,056
Fund Balances								
Nonspendable	-	40,009	-	-	-	-	-	40,009
Restricted	-	1,677,546	2,554,753	238,629	1,307,170	-	13,538,232	19,316,330
Assigned	-	1,906	-	-	-	-	-	1,906
Total Fund Balances	-	1,719,461	2,554,753	238,629	1,307,170	-	13,538,232	19,358,245
Total Liabilities and Fund Balances	$ 30,910	$ 1,987,683	$ 2,627,237	$ 239,380	$ 1,307,214	$ 26,645	$ 13,538,232	$ 19,757,301

See the accompanying notes to the optional supplementary section.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County Schools Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues								
Federal sources	$ 9,774	$ 2,801,676	$ -	$ -	$ -	$ -	$ -	$ 2,811,450
Other state sources	640	227,308	-	-	-	-	67,979	295,927
Other local sources	2,119	524,961	2,188,941	3,784	7,517	245	10,535,429	13,262,996
Total Revenues	12,533	3,553,945	2,188,941	3,784	7,517	245	10,603,408	16,370,373
Expenditures								
Instruction	310,876	-	-	-	-	-	-	310,876
Pupil services	22,403	3,023,952	-	-	-	-	-	3,046,355
General administration	-	137,911	21,611	-	-	-	-	159,522
Plant services	-	26,588	1,252,625	72,870	347	31,541	-	1,383,971
Other outgo	-	-	1,374,697				-	1,374,697
Debt service	-	-	-	-	-	-	11,347,368	11,347,368
Total Expenditures	333,279	3,188,451	2,648,933	72,870	347	31,541	11,347,368	17,622,789
Excess (deficiency) of revenues over expenditures	(320,746)	365,494	(459,992)	(69,086)	7,170	(31,296)	(743,960)	(1,252,416)
Other Financing Sources								
Proceeds from sale of bonds	-	-	-	-	-	-	3,504,461	3,504,461
Interfund transfers in	320,746	-	-	-	650,000	20,000	-	990,746
Interfund transfers out	-	-	(4,875)	-	-	-	-	(4,875)
Total Other Financing Sources	320,746	-	(4,875)	-	650,000	20,000	3,504,461	4,490,332
Net changes in fund balance	-	365,494	(464,867)	(69,086)	657,170	(11,296)	2,760,501	3,237,916
Fund Balances at Beginning of Year	-	1,353,967	3,019,620	307,715	650,000	11,296	10,777,731	16,120,329
Fund Balances at End of Year	$ -	$ 1,719,461	$ 2,554,753	$ 238,629	$ 1,307,170	$ -	$ 13,538,232	$ 19,358,245

See the accompanying notes to the optional supplementary section.

NOTES TO THE OPTIONAL SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

NOTE 1: PURPOSE OF SCHEDULES

Combining Fund Financial Statements

A combining fund balance sheet and statement of revenues, expenditures and changes in fund balance has been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements

OTHER INDEPENDENT AUDITOR'S REPORT

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITOR'S 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*

Board of Trustees
Fullerton Joint Union High School District
Fullerton, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fullerton Joint Union High School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 29, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Fullerton Joint Union High School District
Fullerton, California

Report on Compliance for Each Major Federal Program

We have audited Fullerton Joint Union High School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2018.

Report on Internal Control Over Compliance

Management of the 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 the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in 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, 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Purpose of this Report

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 29, 2018

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Fullerton Joint Union High School District
Fullerton, California

We have audited the Fullerton Joint Union High School District's (the District) compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2018. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	No[1]
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Charter Schools:	
Attendance	No[2]
Mode of Instruction	No[2]
Nonclassroom Based Instruction/Independent Study	No[2]
Determination of Funding for Nonclassroom Based Instruction	No[2]
Annual Instructional Minutes – Classroom Based	No[2]
Charter School Facility Grant Program	No[2]

[1]We did not perform testing for independent study because the independent study ADA was under the level which requires testing.
[2]The District is not the granting agency for any Charter Schools.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the other state programs referred to above in all material respects for the year ended June 30, 2018.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 29, 2018

FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2018

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:				*Unmodified*
Internal control over financial reporting:				
Material weakness(es) identified?		*Yes*	X	*No*
Significant deficiency(ies) identified?		*Yes*	X	*None Reported*
Noncompliance material to financial statements noted?		*Yes*	X	*No*

Federal Awards

Internal control over major federal awards:				
Material weakness(es) identified?		*Yes*	X	*No*
Significant deficiency(ies) identified?		*Yes*	X	*None Reported*
Type of auditor's report issued on compliance for major federal programs:				*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		*Yes*	X	*No*

Identification of Major Federal Programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:				$750,000
Auditee qualified as low-risk auditee?	X	*Yes*		*No*

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

All audit findings must be identified as one or more of the following categories:

Five Digit Code	Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINANCIAL STATEMENTS

There were no findings and questioned costs related to the basic financial statements for the year ended June 30, 2018.

FEDERAL AWARDS

There were no findings and questioned costs related to federal awards for June 30, 2018.

STATE COMPLIANCE

There were no findings and questioned costs related to state awards for the year ended June 30, 2018.

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2018

There were no findings and questioned costs related to the year ended June 30, 2017.

CONTINUING DISCLOSURE INFORMATION

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

CONTINUING DISCLOSURE INFORMATION (UNAUDITED)
June 30, 2018

Assessed valuation for fiscal year 2017-18	$32,247,441,583
Secured tax levies for fiscal year 2017-18	$ 49,372,735
Secured tax delinquencies for fiscal year 2017-18	$ 226,848
Secured tax collections for fiscal year 2017-18	$ 49,145,887

	Property Owner	Primary Land Use	2017-18 Assessed Valuation	% of Total [1]
1.	Comref So Ca Industrial Sub A & P LLC	Industrial	$ 150,434,336	0.47 %
2.	The Source at Beach LLC	Commercial	130,658,402	0.41
3.	Realty Associates Fund IXL P	Commercial	122,488,269	0.38
4.	FHF I Amerige Pointe LLC	Apartments	115,000,000	0.36
5.	CVS Pharmacy Inc.	Industrial	102,326,289	0.32
6.	Advanced Group 16-114	Apartments	99,000,000	0.31
7.	Alticor Inc.	Industrial	98,570,434	0.31
8.	University House Fullerton LLC	Apartments	89,501,047	0.28
9.	Rreef America REIT II Corp.	Industrial	86,308,796	0.27
10.	Corecare III	Apartments	77,318,657	0.24
11.	PRI Buena Park Industrial CA LLC	Industrial	68,482,608	0.21
12.	PSIP WR Fullerton LLC	Commercial	64,317,120	0.20
13.	SFERS Real Esate Corp, RR	Industrial	61,369,368	0.19
14.	BRE-FMCA LLC	Apartments	58,376,421	0.18
15.	458 East Lambert LLC	Industrial	56,955,525	0.18
16.	PK I Fullerton Town Center LP	Commercial	56,831,523	0.18
17.	Breitburn Energy Partners LP	Oil & Gas	56,816,815	0.18
18.	Fullerton Metro Center LLC	Industrial	54,885,149	0.17
19.	La Habra Westridge Partners LP	Commercial	54,522,896	0.17
20.	Lit Industrial LP	Industrial	53,061,226	0.16
	Total Top 20		$ 1,657,224,881	5.14 %

Source: California Municipal Statistics, Inc.

(1) % of local secured assessed valuation: $32,247,441,583

APPENDIX D

ORANGE COUNTY INVESTMENT POLICY STATEMENT

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Orange County Treasurer

2018 Investment Policy Statement

(Approved By B.O.S. 11/14/2017)

TABLE OF CONTENTS Page No.

ORANGE COUNTY TREASURER
INVESTMENT POLICY STATEMENT

PURPOSE

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

I. POLICY STATEMENT

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

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

II. SCOPE

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

1. FUNDS

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

- Governmental Funds, including the General Fund
- Enterprise Funds
- Fiduciary Funds
- Any other funds or new funds created by the County, unless specifically exempted

a) Pooled Funds:

It is the Treasurer's policy to pool certain funds for investment purposes to provide efficiencies and economies of scale. Investing through pooled funds will provide for greater use of funds by allowing for more efficient cash flows, a reduction in transaction costs, and improved access to the market. In addition to allowing for one pool for all participants, OCIF may also be split into different pools to meet the specific needs of participants such as short-term pools and longer-term pools. Each pool established will be reviewed separately for purposes of determining compliance with the Investment Policy Statement. These pools are based on the investment requirements detailed in Government Code Sections 53600 et seq. and 53630 et seq.

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

ii. If a short-term pool is established, it can be established as a single pool or as separate pools depending on the needs of the pool participants. These pools will be utilized for shorter-term investment requirements and providing liquidity for immediate cash needs. They will be invested primarily in cash-equivalent securities to fulfill the primary goals of safety and liquidity.

b) Specific Investment Accounts:

From time to time, the Treasurer may be asked by the County or a participant's governing board to invest other specific investments or to manage bond proceeds issued by the County, a local school district, voluntary participant, or other local agency. This may include deposits that are set aside for future needs of a long-term nature and may be appropriately invested in longer-term securities, either in a pool or in specific investments as allowed by Government Code. The County or the participating agencies will be required to sign a written agreement acknowledging that there may be risk to principal should they desire to redeem funds early, thereby forcing an early sale of securities rather than holding investments to maturity.

In addition, no investment will be made in any security that at the time of the investment has a term remaining to maturity in excess of five years , unless the appropriate legislative body has granted express authority to make that investment either specifically or as part of an investment program approved by that legislative body no less than three months prior to the investment. Strategies for such deposits may include matching maturities with long-term liabilities.

III. PRUDENCE

Government Code Sections 27000.3 and Section 53600.3 provide that the "prudent investor" standard is to be used by the Treasurer as a fiduciary of public funds. This standard provides that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County and the other depositors. Within the limitation of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law.

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

IV. DELEGATION OF AUTHORITY

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

V. OBJECTIVES

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

1. SAFETY

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

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

a) **Credit Risk:** Defined as an issuer's ability and willingness to repay interest and principal. Credit risk shall be mitigated by diversifying the fund among issues and issuers so that the failure of any one issue or issuer would not result in a significant loss of income or principal to participants.

b) **Market Risk:** Defined as the risk of market value fluctuations due to changes in the general level of interest rates. Because longer-term securities generally have greater market risk than shorter-term securities, market risk will be mitigated by establishing a maximum weighted average maturity or duration for the portfolio. Occasional market losses on individual securities are inevitable with active portfolio management and must be considered within the context of the overall investment return.

2. LIQUIDITY

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

3. YIELD

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

4. MARK-TO-MARKET

Investment pools, as described in Section II, 1 (a) of this Investment Policy Statement, are marked to market. To the extent reasonably possible and consistent with the Treasurer's trust and fiduciary duty, any funds in a short-term pool will attempt to stabilize at a $1.00 net asset value (NAV). If the ratio of the market value of the short-term pool divided by the book value of the short-term pool is less than $.995 or greater than $1.005, holdings may be sold as necessary to maintain the ratio between $.995 and $1.005.

The Treasurer will act on a "best efforts" basis to stabilize any short-term pools within the $.995 to $1.005 range. However, the $1.00 NAV is not guaranteed or insured by the Treasurer for any pool, including any longer-term pool, nor are the pools registered with the Securities Exchange Commission (SEC).

VI. AUTHORIZED INVESTMENTS

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

1. U. S. TREASURY SECURITIES

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

2. U. S. GOVERNMENT AGENCY SECURITIES

Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise (GSE). There is no limit on the percentage of a pool that can be invested in this category, but each issuer is limited to 50% of any individual pool's total assets except that GSE issuers rated "AA" or higher with final maturities of 30 days or less are excluded from the calculation of the 50% limit.

3. COMMERCIAL PAPER

Eligible commercial paper shall not exceed 270 days maturity, and shall not exceed 40% of a pool. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):

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

b) Is organized in the United States as a special purpose corporation, trust, or limited liability company, has program-wide credit enhancements including, but not limited to overcollateralization, letters of credit or a surety bond,.

No more than 5% of the total assets of any individual pool may be invested in any one issuer’s commercial paper.

4. NEGOTIABLE CERTIFICATES OF DEPOSIT

Negotiable certificates of deposit issued by a nationally or state-chartered bank, savings association, or a federal association (as defined by Section 5102 of the California Financial Code), or by a federally licensed or state-licensed branch of a foreign bank. No more than 30% of any individual pool’s total assets may be invested in negotiable certificates of deposit and maximum remaining maturity cannot exceed three years.

5. REPURCHASE AGREEMENTS

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

To participate in repurchase agreements, a master repurchase agreement must be completed and signed by all parties involved. The Treasurer will maintain a signed copy of the agreement. Repurchase agreements are required to be collateralized by securities or cash.

a) Collateralization:

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

Collateral will be limited to cash, and U.S. Treasury and U.S. Government Agency securities. For compliance purposes, U.S. Treasury and/or U.S. Government Agency collateral are exempt from the issuer limits as stated in Section VIII.2. Collateral will be held by an independent third party with whom the Treasurer has a current custodial agreement. A clearly marked evidence of ownership (safekeeping/custody receipt) must be supplied to the Treasurer and retained. No collateral substitutions may be made without prior approval of the Treasurer.

Investments in repurchase agreements are limited to no more than 20% of any individual pool’s total assets. Agreements are subject to Government Code Section 53601 and must comply with the delivery requirements and the maturity provision from Section 53601.

6. **BANKERS' ACCEPTANCES**

Bankers' acceptances, also known as time drafts or bills of exchange, that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days maturity. Bankers' acceptances are limited to no more than 40% of any individual pool's total assets.

7. **MONEY MARKET MUTUAL FUNDS**

Shares of beneficial interest issued by diversified management companies that are money market mutual funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.), which only invest in direct obligations in U.S. Treasury bills, notes, and bonds, U.S. Government Agencies, Municipal Debt, and repurchase agreements with a weighted average maturity of 60 days or less. Money Market Mutual Funds that do not maintain a constant Net Asset Value (NAV) are prohibited. Money market mutual funds are not required to conform to the restrictions detailed in this Investment Policy Statement, but are limited to no more than 20% of any individual pool's total assets. The Treasurer shall be required to investigate money market mutual funds prior to investing and perform a periodic review, but at least annually thereafter while the funds are invested in the money market mutual fund. At a minimum, approved money market mutual funds shall have met either of the following criteria:

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

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

8. **STATE POOL – LOCAL AGENCY INVESTMENT FUND**

The Treasurer may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer under Government Code Section 16429.1. LAIF has no final stated maturity and will be reported as a one-day maturity. Investments in LAIF shall not exceed $65 million per pool.

9. **MUNICIPAL DEBT**

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

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

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

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

10. MEDIUM-TERM NOTES

Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of not more than 397 days for any short-term pools and three years for any other pools such as a longer-term pool. Medium-term notes must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Investments in medium-term notes are limited to no more than 30% of any individual pool's total assets.

11. INVESTMENT POOLS

Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations as authorized under 53601 (a) to (o), inclusive, and that comply with the investment restrictions of Government Code Sections 53600 through 53610 and Section 53630. The Treasurer shall be required to investigate all local government investment pools prior to investing and perform a quarterly review thereafter while the funds are invested in the pool. The analysis shall include, but is not limited to, the following characteristics of a pool/fund as part of its investigation and quarterly review:

- Eligible securities
- Maximum maturity
- REPO collateral/counter-party
- Size of the pool/fund
- Limits on withdrawal/deposit
- Expense ratio

Investments in this investment type are limited to no more than 20% of any individual pool's total assets. No more than 10% of an individual pool shall be invested in a single investment pool.

12. SUPRANATIONAL SECURITIES

Supranational securities are defined as United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and, Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity five years or less, and eligible for purchase and sale within the United States. Investments in supranationals shall not exceed 30 percent of any individual pool's total assets.

VII. INVESTMENT CREDIT RATING RESTRICTIONS

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

Municipal debt issued by the County of Orange, California (as defined in Section VI 9), U.S. Government obligations (as defined in Section VI 1 and VI 2) and State Pool (as defined in Section VI 8), are exempt from the credit rating requirements listed below. Money Market

Mutual funds (as defined in Section VI 7) and Investment Pools (as defined in Section VI 11) require the highest ranking or the highest letter and numerical rating provided by at least one NRSRO. In addition, all Supranational Securities shall be rated "AA" or higher from all NRSROs that rate the issuer.

The credit ratings referred to in this policy must be assigned by one of the following Nationally Recognized Statistical Rating Organizations (NRSRO): Standard & Poor's Corporation "S&P," Moody's Investors Service, Inc. "Moody's", and Fitch Ratings "Fitch". In addition, all investments, except those noted above, 1) must have the minimum ratings required below by two NRSROs, and 2) the lowest rating of any NRSRO must meet or exceed the minimum rating required below:

a) Short-term debt ratings:

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

Split ratings are not allowed, i.e. A-1/P-1/F2 or similar. An issuer of short-term debt with remaining maturities of 397 days or less must have no less than an "A" rating on long-term debt, from each of the NRSROs that rate the issuer.

Long-term debt ratings:
Investments purchased with remaining maturities longer than 397 days, shall have obtained no less than an "AA" rating by all NRSROs that rate the issuer. If an issuer of long-term debt has a short-term rating, then it may not be less than A-1/SP-1 or P-1/MIG1 or F1 and ratings by all NRSROs must meet these minimum ratings.

b) Repurchase Agreement counterparties shall have a minimum short-term rating, or counterparty rating, of no less than A-1 or equivalent and have capital of not less than $500 million.

c) Any issuer that has been placed on "Credit Watch-Negative" by a NRSRO will be placed on hold and current holdings reviewed for possible sale within a reasonable period of time unless the following criteria are met and are also approved in writing by the Treasurer prior to purchase:
The issuer has:
(a) an A-1+ or F1+ short-term rating; and
(b) at least an AA or Aa2 or higher long-term rating from all NRSROs that rate the issuer.

d) If any issuer is placed on "Credit Watch-Negative" by any NRSRO, all related entities, including parent and subsidiaries, will also be placed on hold and subject to the above requirements.

VIII. DIVERSIFICATION AND MATURITY RESTRICTIONS

It is the policy of the Treasurer to diversify the pooled funds. Investments are diversified to minimize the risk of loss resulting in overconcentration of assets in a specific maturity, specific issuer, or a specific class of securities. Diversification strategies shall be established by the Treasurer and periodically reviewed.

1. AUTHORIZED INVESTMENTS AND ISSUER CONCENTRATION

Only debt issued by firms listed on the Office of the Treasurer's Approved Issuer List may be purchased. The following diversification limits will also be applied at the time of purchase of a security.

Type of Investment	Cal Gov Code % of Funds Permitted	Orange County IPS	Cal Gov Code Maximum Final Maturity	Orange County IPS Maximum Final Maturity (All Pooled Funds Except Short-Term Funds)	Orange County IPS Maximum Final Maturity (Short-Term Fund)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities (GSEs)	100%	100% Total, no more than 50% in one issuer excluding securities with final maturities of 30 days or less	5 Years	5 Years	397 Days
Municipal Debt	100%	30% Total, no more than 5% in one issuer except 10%-County of Orange	5 Years	5 Years	397 Days
Medium-Term Notes	30%	30% Total, no more than 5% in one issuer	5 Years	3 Years	397 Days
Bankers Acceptances	40%, 30% of a single issuer	40% Total, no more than 5% in one issuer	180 Days	180 Days	180 Days
Commercial Paper	40%, 10% of a single issuer	40% Total, no more than 5% in one issuer	270 Days	270 Days	270 Days
Negotiable Certificates of Deposits	30%	30% Total, no more than 5% in one issuer	5 Years	3 Years	397 Days
State of California Local Agency Investment Fund	$65 million per account	$65 million per pool	N/A	N/A	N/A
Repurchase Agreements	100%	20% Total, no more than 10% in one issuer	1 Year	1 Year	1 Year
Money Market Mutual Funds	20%	20% Total	N/A	N/A	N/A
Investment Pools	100%	20% Total, no more than 10% in one pool	N/A	N/A	N/A
Supranationals	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days

2. MATURITY

a) The weighted average maturity (WAM) of any short-term pool, on a dollar-weighted basis, shall not exceed 60 days.

b) The maximum maturity of any investment purchased will be five years with the exception of investments and investment pools authorized by the Board of Supervisors or the appropriate legislative body to be invested in longer than five year maturities.

The following restrictions will apply:

Short-term	13 months (397)
Long-term	5 years

c) For purposes of calculating a final maturity date, the earlier of either the final maturity date, pre-refunded date, or mandatory put to tender option date that will be used.

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

3. DURATION

a) All pools, except short-term pools, shall have an effective duration not to exceed a leading 1-3 year index +25%.

IX. PROHIBITED TRANSACTIONS

At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy Statement and with applicable provisions of the Government Code, as may be amended from time to time. No investment prohibited by Government Code shall be permitted herein.

Any investment transactions, credit risk criterion, percentage limitations, or market valuation that are not in compliance with this Investment Policy Statement and cannot be corrected without penalty **at time of purchase** must be documented and approved by the Treasurer in writing as soon as possible. Thereafter, action shall be taken by the Treasurer to correct such matter as soon as practical. If a percentage restriction is adhered to at the time of purchase, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction.

1. The following transactions are prohibited:

a) Borrowing for investment purposes ("Leverage").

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

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

Simple "floating rate notes," whose periodic coupon adjustment is based on a short-term (one-year or less) rate index (such as Treasury bills, federal funds, prime rate, or LIBOR) and which have a reasonable expectation of maintaining a value of par at each interest rate adjustment through final maturity, are exempt from this definition.

Additionally, U.S. Treasury and Agency zero coupon bonds, U.S. Treasury and Agency strips, Resolution Funding Corporation (REFCORP) strips, or other callable securities which otherwise meet the quality, maturity, and percent limitations assigned to their respective security category, are exempt from this section.

d) Structured Investment Vehicles (SIV).

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

f) Money Market Mutual Funds that do not maintain a constant Net Asset Value (NAV).

X. ETHICS AND CONFLICT OF INTEREST

The Treasurer and all persons involved in the investment process shall refrain from personal business activity, which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. The Treasurer and all treasury and investment personnel shall disclose to the Treasury Oversight Committee any material financial interests in financial institutions, broker dealers, and vendors ("outside entities") that conduct business with the County of Orange and shall disclose any material financial investment positions in such outside entities.

1. STATEMENT OF ECONOMIC INTEREST FORM 700

The Treasurer, Auditor-Controller, members of the Treasury Oversight Committee, and all designated employees must annually file a Form 700 (Statement of Economic Interests) in accordance with the County's Conflict-of-Interest Code.

2. COUNTY'S GIFT BAN ORDINANCE – SEC. 1-3-22 THE CODIFIED ORDINANCES, ORANGE COUNTY, CALIF.

The County's Gift Ban Ordinance prohibits the receipt of specified gifts to the Treasurer, Auditor-Controller, and "designated employees" from business entities and individuals that "do business with the County" as that termed in defined in the Ordinance. Under the Ordinance, the term "designated employee" includes every employee of the County who is designated in the County's Conflict-of-Interest Code to file a Form 700 and every member of a board or commission under the jurisdiction of the Board of Supervisors required to file such a form. For purposes of the Treasurer's Office, "designated employees" include: the Chief Assistant Treasurer-Tax Collector, the Assistant Treasurer-Tax Collectors, all investment staff, all financial/credit analysts, all cash managers, and all accounting and compliance staff. The Treasurer will review this list of "designated employees" periodically and submit any proposed changes to the Board of Supervisors for approval.

XI. AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS

The Treasurer will maintain a list of broker/dealers and financial institutions authorized to provide investment and/or depository services and products. Any permitted investment, not purchased directly from an approved issuer, shall be purchased either from a "primary" or regional securities broker/dealer qualifying under SEC Rule 15c3-1(uniform net capital rule) and licensed by the state as a broker/dealer as defined in Section 25004 of the Corporations Code or a "well capitalized" national bank or Federal savings association as defined in Title

12 of the Code of Federal Regulations (CFR) Part 6.4 or a savings association or Federal association as defined by Section 5102 of the California Financial Code. Broker/dealers must comply with the political contribution limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board. Section 27133(c) of the Government Code prohibits the selection of any broker, brokerage, dealer, or securities firm that has made a contribution to the Treasurer, any member of the Board of Supervisors, or any candidate for those offices, within any consecutive 48 month period. The Treasurer shall conduct an annual review of each broker/dealer and financial institution's financial condition and registrations to determine whether it should remain on the approved list for investment and/or depository services and require annual audited financial statements to be on file for each firm. The Treasurer shall, at least every two years, review all new broker/dealers and financial institutions submitting a questionnaire to determine if they should be added to the approved list. A detailed questionnaire is required to be completed by broker/dealers and financial institutions seeking to provide investment services. The Treasurer shall annually send a copy of the current Investment Policy Statement to all broker/dealers and financial institutions approved to provide investment services to the County, and they shall notify the Treasurer in writing of receipt and that they have read it.

XII. PERFORMANCE EVALUATION

The Treasurer shall submit monthly, quarterly, and annual reports (in compliance with Government Code Sections 53607, 53646, and 27134) to the Treasury Oversight Committee, the pool participants, the County Executive Officer, the Director of Auditor-Controller Internal Audit, the Auditor-Controller, and the Board of Supervisors. These reports shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and shall be in compliance with Government Code. In accordance with GASB Statements 31 and 40, the Treasurer shall provide financial information on investments for the County's Comprehensive Annual Financial Report.

XIII. SAFEKEEPING

All security transactions, including collateral for repurchase agreements, entered into by the Treasurer shall be conducted on a delivery-versus-payment (DVP) basis. All investments shall have the County of Orange and either the OCIF or the specific pool name as its registered owner except for municipal debt issued by the County of Orange and privately placed with the County Treasurer in which case the investments shall have the Orange County Treasurer on behalf of the OCIF as its registered owner.

All securities shall be held by a third party custodian designated by the Treasurer (this does not apply to money market funds or investment pools). The third party custodian shall be required to issue a safekeeping statement to the Treasurer listing the specific instrument, rate, maturity, and other pertinent information.

XIV. MAINTAINING THE PUBLIC TRUST

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

XV. INTERNAL CONTROLS

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

1. INVESTMENT PROCEDURES

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

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

XVI. EARNINGS AND COSTS APPORTIONMENT

The Treasurer determines the interest earnings for the respective pools on an accrual basis. Accrual basis interest earnings and Treasury administrative fees (see below) are allocated to each individual pool participant based upon their average daily balance on deposit with the Treasurer. The actual cash distribution is generally paid in the months following.

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

Investment earnings and the above estimated fee charge will be allocated to the pool participants on at least a quarterly basis. As of the first working day of the following period, the pool participants' account will reflect the gross investment earnings and the estimated monthly administrative and overhead costs. The Treasurer’s monthly report will state the current estimated fees charged to participants.

XVII. VOLUNTARY PARTICIPANTS

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

Monies deposited by local agencies approved for entry into the Treasurer’s Investment Pool will be invested in the OCIF and shall be invested by the Treasurer in accordance with this Investment Policy Statement, as amended from time to time. The local agency’s authorized representative will execute an agreement with the Treasurer. This agreement specifies the contractual terms and conditions by which the Treasurer will manage and invest local agency’s excess funds which have been deposited for investment with the Treasurer.

XVIII. WITHDRAWAL

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

XIX. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs, but focusing on, in order of importance, preservation of capital, liquidity, and yield.

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

XX. INVESTMENT POLICY STATEMENT REVIEW

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

XXI. FINANCIAL REPORTING

The monthly Treasurer's Investment Report and all compliance Audit Reports shall be provided to the Orange County Board of Supervisors, the County Executive Officer, the Chief Financial Officer, the Director of Auditor-Controller Internal Audit, the Auditor-Controller, the Treasury Oversight Committee, the presiding judge of the Superior Court, the director or director executive officer and Treasurer or other official responsible for the funds of any Local Agency who has investments in the OCIF as allowed by Government Code Sections 53607, 53646, and 53686.

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

XXII. LEGISLATIVE CHANGES

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

XXIII. DISASTER RECOVERY PROGRAM

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

In the event the Treasurer or authorized staff is unable to invest the portfolio, the Treasurer has an agreement with the custodian for a daily sweep of all uninvested cash with the custody bank into a money market mutual fund. Until normal operations of the Treasurer's office have been restored, the limitations on the size of an individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this Investment Policy Statement and would be required to be reported to the Board of Supervisors and pool participants in a timely manner.

INVESTMENT POLICY STATEMENT
GLOSSARY

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

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

ADJUSTABLE RATE NOTE: (See Floating Rate Note)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

COMMERCIAL PAPER (CP): Short-term unsecured promissory notes issued by corporations for maturities of 270 days or less.

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

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

CREDIT OUTLOOK: (See Rating Outlook)

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

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

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

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

COUPON: The rate at which a bond pays interest.

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

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

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

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

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

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

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

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

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

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

FEDERAL OPEN MARKET COMMITTEE (FOMC): This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

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

FITCH, INC: (see Nationally Recognized Statistical Rating Organization)

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

FLOATING RATE NOTE: A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, LIBOR, etc.).

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

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

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

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

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

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

MARKET RISK: The risk that changes in overall market conditions or interest rate may adversely affect current market prices.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract between the parties of a repurchase agreement establishing each party's rights in all current and future transactions until termination of the contract by either party.

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

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

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

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invest in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC: (See Nationally Recognized Rating Services)

MUNICIPAL DEBT: Bonds, notes and other securities issued by a state, municipality or county.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.). The primary rating agencies are the following: Standard & Poor's Corporation; Moody's Investor Services, Inc.; and Fitch, Inc.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): A per-share valuation of a mutual fund based on total assets minus total liabilities.

NON-CALLABLE: Bond that cannot be called at the option of the issuer.

OFFER PRICE: The price asked by a seller of securities.

PAR or PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a physical certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an individual or institutional investor.

PREMIUM: The difference between the par value of a bond and the market value of the bond, when the market value is above par.

PRICE RISK: The risk that the price of a bond sold prior to maturity will be less than the price at which the bond was originally purchased.

PRIMARY DEALER: Banks and securities brokerages authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York in its execution of Federal Open Market Operations.

PRIME RATE: The base rate that banks use in pricing commercial loans to their best and most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information of the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

RATING OUTLOOK: The potential direction of the credit rating assigned by a NRSRO for a specific company.

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

RECEIVABLE-BACKED SECURITIES: Securities collateralized with consumer receivables, such as automobile loans, credit card receivables, or home equity loans, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

RECEIVABLE PASS-THROUGH CERTIFICATE: A debt obligation that is backed by a portfolio of receivables, normally issued by a bank or financial institution. The interest and principal of the obligation is paid out of the cash flow generated by the receivables portfolio.

REFUNDED BOND: A bond secured by an escrow fund that is sufficient to pay off the entire issue of bonds at the next call date (pre-funded) or maturity (escrowed to maturity).

REGISTERED STATE WARRANT: A short-term obligation of a state governmental body issued in anticipation of revenue.

REPURCHASE AGREEMENT (REPO): The purchase of securities, on a temporary basis, with the seller's simultaneous agreement to repurchase the securities back at a later date at a specified price that includes interest for the buyer's holding period.

RULE 2a-7 OF THE INVESTMENT COMPANY ACT: Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 60-day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD: Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

SAFEKEEPING: Storage and protection of a customer's financial assets, valuables, or documents, provided as a service by an institution serving as Agent or Custodian and, where control is delegated by the customer.

SECURITIES & EXCHANGE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SINKING FUND: Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

STANDARD & POOR′S CORPORATION: (See Nationally Recognized Rating Services)

STRUCTURED INVESTMENT VEHICLE (SIV): A pool of investment assets that attempts to profit from credit spreads between short-term debt and long-term structured finance products such as asset-backed securities (ABS). Funding for SIVs comes from the issuance of commercial paper that is continuously renewed or rolled over; the proceeds are then invested in longer maturity assets that have less liquidity but pay higher yields. SIVs often employ great amounts of leverage to generate returns.

SUPRANATIONAL: An entity that is formed by two or more central governments with the purpose of promoting economic development for the member countries. Examples include the International Bank for Reconstruction and Development, International Finance Corporation, and the Inter-American Development Bank.

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period.

(Price appreciation) + (Dividends paid) + (Capital gains) = Total Return

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U. S. GOVERNMENT AGENCY SECURITIES: Debt securities issued by U.S. Government sponsored enterprises and federally related institutions. These government agencies include: Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), Federal National Mortgage Association (FNMA or Fannie Mae), Federal Farm Credit Banks (FFCB), Resolution Trust Corporation (RTC), and Tennessee Valley Authority (TVA).

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

> **Treasury bills:** non-interest-bearing discount securities with maturities under one year issued by the U.S. Treasury to finance the national debt.
>
> **Treasury notes:** interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from date of issue.
>
> **Treasury bonds:** interest-bearing obligations issued by the U.S. Treasury with maturities that range from ten to thirty years from date of issue.

UNIFORM NET CAPITAL RULE: SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

VARIABLE RATE NOTE: (See Floating Rate Note)

VOLATILITY: A degree of fluctuation in the price and valuation of securities.

WEIGHTED AVERAGE MATURITY (WAM): The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 60 days and no one security may have a maturity that exceeds 397 days.

WHEN ISSUED (WI): A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.

YIELD: The annual rate of return on a debt investment computed as though held to maturity expressed as a percentage.

YIELD TO CALL (YTC): The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

YIELD TO MATURITY (YTM): The rate of return earned on an investment considering all cash flows and timing factors: interest earnings, discounts, and premiums above par.

ZERO-COUPON BONDS/U.S. TREASURY STRIPS: A bond which represents ownership of a single coupon or principal payment due on a U.S. Treasury bond. Zeros or strips mature at face value at a specified date in the future and make no payments until that date. They always sell at a discount from face value.

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Trustees of the
Fullerton Joint Union High School District
1051 West Bastanchury Road
Fullerton, California 92833

OPINION: $21,000,000 Fullerton Joint Union High School District (Orange and Los Angeles Counties, California) General Obligation Bonds, Election of 2014, Series D (2019)

Members of the Board of Trustees:

We have acted as bond counsel to the Fullerton Joint Union High School District (the "District") in connection with the issuance by the District of $21,000,000 principal amount of Fullerton Joint Union High School District (Orange and Los Angeles Counties, California) General Obligation Bonds, Election of 2014, Series D (2019) (the "Bonds"), pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code (the "Act"), and a resolution adopted by the Board of Trustees of the District on February 5, 2019 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

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

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

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

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

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

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

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the FULLERTON JOINT UNION HIGH SCHOOL DISTRICT (the "District") in connection with the issuance by the District of its $21,000,000 Fullerton Joint Union High School District (Orange and Los Angeles Counties, California) General Obligation Bonds, Election of 2014, Series D (2019) (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on February 5, 2019 (the "Resolution"). The District covenants and agrees as follows:

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

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

"*Annual Report Date*" means March 31 after the end of the District's fiscal year.

"*Dissemination Agent*" shall mean, initially, Koppel & Gruber Public Finance, or any successor Dissemination Agent designed in writing by the District and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

"*Fiscal Year*" means any twelve-month period beginning on October 1 in any year and extending to the next succeeding September 30, both dates inclusive, or any other twelve-month period selected and designated by the District as its official fiscal year period under a Certificate of the District filed with the Trustee.

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

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the Bonds.

"*Participating Underwriter*" means, collectively, Backstrom McCarley Berry & Co., LLC and Cabrera Capital Markets, LLC, as the original underwriters of the Bonds.

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

"*Significant Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2- 12(b)(5).

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2019, with the report for fiscal year 2018-19 provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder. The filing requirement with respect to the initial Annual Report that is due by March 31, 2019, shall be satisfied by filing the Official Statement on EMMA.

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

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

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

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

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

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

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the District for preceding fiscal year, substantially similar to that provided in the Official Statement, as follows:

(1) The District's adopted budget for the then current fiscal year.

(1) The average daily attendance in District schools on an aggregate basis for the most recent year for which data is available.

(2) Pension plan contributions made by the District for the most recent year for which data is available.

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

(4) A description of general fund revenues and expenditures which have been budgeted for the most recent year for which data is available, together with audited actual budget figures for the preceding fiscal year.

(5) The District's total Local Control Funding Formula ("LCFF") revenues for the most recent year for which data is available.

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

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

Section 5. Reporting of Significant Events.

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

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(vii) Modifications to rights of security holders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the District or other obligated person;

(xiii) The consummation of a merger, consolidation, or acquisition involving the District or an obligated person, or the sale of all or substantially all of the assets of the District or an 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, if material;

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(xv) The incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect security holders, if material; or

(xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties.

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

(c) The District acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a)(xv) of this Section 5 contain the qualifier "if material." The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the District determines the event's occurrence is material for purposes of U.S. federal securities law. The District intends that the words used in paragraphs (xv) and (xvi) and the definition of "financial obligation" to have the meanings ascribed thereto in SEC Release No. 34-83885 (August 20, 2018).

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) above is considered to occur when any of the following 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 governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

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

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the District.

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

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

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

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

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

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

The Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations hereunder.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Significant Event under Section 5(b).

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

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

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) Article VIII of the Resolution is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Resolution. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Bond holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

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

Date: [Closing Date]

FULLERTON JOINT UNION HIGH SCHOOL DISTRICT

By ____

Authorized Office

ACKNOWLEDGED:

KOPPEL & GRUBER PUBLIC FINANCE, as Dissemination Agent

By ____

Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Fullerton Joint Union High School District
Name of Issue:	Fullerton Joint Union High School District (County of Orange, California) General Obligation Bonds, Election of 2014, Series D (2019)
Date of Issuance:	[Closing Date]

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

Dated: ___________________________

KOPPEL & GRUBER PUBLIC FINANCE,
Dissemination Agent

By ____
Authorized Officer

cc: Paying Agent

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APPENDIX G

BOOK-ENTRY SYSTEM

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global ratings 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. The information in such website is not incorporated herein by reference.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede &Co. or such other name as requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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 or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

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

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

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